

FONKOZE USA, INC.
FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT
Years Ended December 31, 1999 and 1998

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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, 1999 and 1998 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 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, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Kamerow, Weintraub & Swain, LLP

May 3, 2000

FONKOZE USA, INC.

BALANCE SHEETS

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 52,321	\$ 57,063
Loans receivable - FONKOZE	612,500	463,100
Interest receivable	<u>4,581</u>	<u>1,587</u>
TOTAL CURRENT ASSETS	669,402	521,750
INVESTMENTS	<u>-</u>	<u>5,375</u>
TOTAL ASSETS	<u>\$ 669,402</u>	<u>\$ 527,125</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Interest payable	\$ 7,772	\$ 1,455
Loans payable - investors - current portion	<u>53,500</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	61,272	1,455
LOANS PAYABLE - INVESTORS, less current portion	559,000	463,100
NET ASSETS		
Unrestricted	47,740	62,570
Temporarily restricted	<u>1,390</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 669,402</u>	<u>\$ 527,125</u>

See accompanying notes

FONKOZE USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 1999

	<u>Grants</u>	<u>Education</u>	<u>Fund-raising</u>	<u>Administration</u>	<u>Total</u>
Consulting fees	\$ -	\$ 18,353	\$ 12,235	\$ 30,587	\$ 61,175
Grants to FONKOZE	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.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 1998

	<u>Grants</u>	<u>Education</u>	<u>Fund-raising</u>	<u>Administration</u>	<u>Total</u>
Consulting fees	\$ -	\$ 25,632	\$ 17,949	\$ 46,166	\$ 89,747
Grants to FONKOZE	68,804	-	-	-	68,804
Grants to Visitation House	74,310	-	-	-	74,310
Layout/design	-	735	735	-	1,470
Board meetings	-	-	-	6,030	6,030
Postage	-	1,517	910	606	3,033
Printing	-	5,952	5,952	-	11,904
Supplies	-	-	-	406	406
Telephone	-	1,480	888	591	2,959
Travel	-	456	686	1,143	2,285
Bank charges	-	-	-	708	708
Interest expense	-	-	-	6,040	6,040
Membership and resources	-	-	-	245	245
Advertising	-	-	-	483	483
Insurance	-	-	-	247	247
Professional services	-	-	-	3,040	3,040
Annual Filing fees	-	-	-	70	70
Office move	-	-	-	170	170
Office rent	-	-	-	784	784
TOTAL	<u>\$ 143,114</u>	<u>\$ 35,772</u>	<u>\$ 27,120</u>	<u>\$ 66,729</u>	<u>\$ 272,735</u>

See accompanying notes

FONKOZE USA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (13,440)	\$ 32,998
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Loans receivable - FONKOZE	(149,400)	(463,100)
Interest receivable	(2,994)	(1,587)
Increase (decrease) in:		
Loans payable - investors	149,400	463,100
Interest payable	6,317	1,455
Gain on sale of investments	<u>(55)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(10,172)</u>	<u>32,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>5,430</u>	<u>(5,375)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>5,430</u>	<u>(5,375)</u>
NET INCREASE (DECREASE) IN CASH	(4,742)	27,491
CASH AT BEGINNING OF YEAR	<u>57,063</u>	<u>29,572</u>
CASH AT END OF YEAR	<u>\$ 52,321</u>	<u>\$ 57,063</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 1,165	\$ 4,585
Income taxes	-	-

See accompanying notes

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

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 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 benefitting the poor.

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, 1999 and 1998, the Organization had no permanently restricted net assets. Temporarily restricted net assets consisted of \$1,390 for Visitation House at December 31, 1999, and \$0 at December 31, 1998.

Estimates

The preparation of financial statements in conformity with 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.

Receivables

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

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

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

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 it is 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 sheet.

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.

NOTE B - RELATED PARTIES

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 \$251,097 and \$68,804 for the years ended December 31, 1999 and 1998, respectively. Grants made to Visitation House in Haiti were \$66,140 and \$74,310 for the years ended December 31, 1999 and 1998, respectively. Loans made to FONKOZE Haiti were \$612,500 and \$463,100 for the years ended December 31, 1999 and 1998, respectively. Interest received on loans from FONKOZE Haiti were \$4,358 and \$5,756 for the years ended December 31, 1999 and 1998, respectively. The interest rate on loans payable vary between zero and four percent, and the maturity dates vary up to November 2008.

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 \$24,177 and \$0 for the years ended December 31, 1999 and 1998, respectively.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

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, 1999 and 1998 in the amounts of approximately \$51,680 and \$49,675, respectively. During the year ended December 31, 1999, the Organization received donated services to produce a video in the amount of approximately \$15,934. The value of these services has been allocated to various functional areas based on management's estimation on the statement of activities.

NOTE D - ALLOCATION OF JOINT COSTS

The Organization conducts program activities that also include requests for contributions. These joint program and fund-raising activities include a delegation to Haiti, production of an informational video tape and brochures. The costs of conducting these activities are allocated to Education and Fund-raising as shown on the statement of functional expenses.

NOTE E - RECLASSIFICATION

Certain reclassifications have been made to the prior period's financial statements in order to conform them to the classification used for the current year. Such reclassifications had no effect on the previously reported increase in net assets.