

FONDASYON KOLE ZEPÒL
FONKOZE
PORT AU PRINCE, HAITI

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AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fondasyon Kole Zepòl (Fonkoze)
Port Au Prince, Haiti

We have audited the accompanying statement of financial position of Fondasyon Kole Zepòl (Fonkoze) (a not-for-profit organization) as of December 31, 2005 and 2004 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 Fondasyon Kole Zepòl (Fonkoze) as of December 31, 2005 and 2004 and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note M to the financial statements, certain errors resulting in overstatement of the carrying value of an investment in a subsidiary company were discovered by management of the Organization subsequent to the issuance of our report on those statements dated June 21, 2006. Accordingly, the financial statements and notes have been restated to correct the error.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
June 21, 2006 except for Note M, as to which
the date is November 27, 2006



FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
ASSETS				
CASH AND CASH EQUIVALENTS	HTG	21,339,742	HTG	18,277,090
INVESTMENTS		2,913,717		15,148,642
ACCOUNTS RECEIVABLE		53,467,522		40,766,895
LOANS		107,522,914		36,959,836
Less allowance for loan losses		2,862,638		936,783
Net loans		<u>104,660,276</u>		<u>36,023,053</u>
FIXED ASSETS		14,644,283		7,756,049
Accumulated depreciation		3,878,361		1,117,820
Fixed assets, net		<u>10,765,922</u>		<u>6,638,229</u>
OTHER ASSETS		<u>2,485,371</u>		<u>1,934,918</u>
TOTAL ASSETS	HTG	<u><u>195,632,550</u></u>	HTG	<u><u>118,788,827</u></u>
LIABILITIES AND NET ASSETS				
DEPOSITS	HTG	64,826,160	HTG	18,522,739
BANK DRAFTS		4,373,777		-
NOTES PAYABLE				
Current portion		46,524,894		41,065,163
Long-term portion		48,312,678		26,368,864
OTHER LIABILITIES		<u>20,690,362</u>		<u>17,886,657</u>
TOTAL LIABILITIES		184,727,871		103,843,423
NET ASSETS				
Unrestricted		6,754,098		11,869,831
Permanently restricted net assets		<u>4,150,581</u>		<u>3,075,573</u>
TOTAL NET ASSETS		10,904,679		14,945,404
TOTAL LIABILITIES AND NET ASSETS	HTG	<u><u>195,632,550</u></u>	HTG	<u><u>118,788,827</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
INTEREST INCOME		
Loans	HTG 18,891,878	HTG 30,853,805
Other	<u>642,975</u>	<u>1,241,137</u>
TOTAL INTEREST INCOME	19,534,853	32,094,942
INTEREST EXPENSES		
Deposits and debt	<u>2,673,706</u>	<u>2,326,937</u>
NET INTEREST INCOME	16,861,147	29,768,005
Provision for loan losses	<u>(2,184,380)</u>	<u>(2,721,633)</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,676,767	27,046,372
OTHER INCOME (EXPENSE)		
Donations	45,441,782	30,056,497
Foreign exchange gain	5,482,844	7,088,831
Membership dues	1,434,636	998,440
Unrealized loss on investments	(140,254)	(43,558)
Realized loss on investments	(152,320)	-
Loss on investment in subsidiary	(12,843,588)	(7,932,995)
Other	<u>1,724,715</u>	<u>2,411,266</u>
NET INTEREST INCOME AND OTHER INCOME	55,624,582	59,624,853
OPERATING EXPENSES		
Salaries and other employee benefits	28,214,133	26,116,476
Premises and equipment expenses	4,152,498	3,605,667
Depreciation	2,827,820	4,653,066
Other expenses	<u>25,545,864</u>	<u>21,286,800</u>
TOTAL OPERATING EXPENSE	60,740,315	55,662,009
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(5,115,733)	3,962,844
NON OPERATING INCOME (EXPENSE)		
Gain on transfer of assets	-	8,177,060
CHANGE IN UNRESTRICTED NET ASSETS	(5,115,733)	12,139,904
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Capital grant contribution	1,075,008	2,146,847
CHANGE IN NET ASSETS	(4,040,725)	14,286,751
NET ASSETS AT BEGINNING OF YEAR	14,945,404	487,173
CORRECTION OF PRIOR YEAR ERRORS	<u>-</u>	<u>171,480</u>
NET ASSETS AT END OF YEAR	HTG <u><u>10,904,679</u></u>	HTG <u><u>14,945,404</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	HTG (4,040,725)	HTG 14,458,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,827,820	4,653,066
Unrealized loss on investments	140,254	43,558
Realized loss on investments	152,320	-
Loss on investment in subsidiary	12,843,588	7,932,995
(Increase) decrease in:		
Accounts receivable	(12,700,627)	(36,028,839)
Loans	(68,637,223)	77,231,901
Other assets	(550,453)	3,821,865
Increase (decrease) in:		
Deposits	46,303,421	(163,423,223)
Other liabilities	<u>7,177,482</u>	<u>9,000,607</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(16,484,143)	82,309,839
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	27,727,447	3,079,595
Payments on debt	<u>323,902</u>	<u>23,489,222</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	27,403,545	(20,409,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of fixed assets	-	30,649,836
Purchase of fixed assets	(6,955,513)	(6,589,698)
Sale of investments	1,520,788	56,364,662
Purchase of investments	<u>(2,422,025)</u>	<u>(18,615,900)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	(7,856,750)	61,808,900
NET INCREASE (DECREASE) IN CASH	3,062,652	(40,910,202)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,277,090</u>	<u>591,187,292</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	HTG <u><u>21,339,742</u></u>	HTG <u><u>18,277,090</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	HTG <u><u>2,435,230</u></u>	HTG <u><u>2,476,194</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Fondasyon Kole Zepòl (Fonkoze) is a non-profit organization incorporated on October 4, 1995 under the laws of the Republic of Haiti as published in Le Moniteur No. 93-A dated November 20, 1995. It was established to provide capital and a full range of financial and technical services to peasant organizations, women's collectives, cooperatives, credit unions and women street vendors.

Fonkoze USA, Inc. is a non-profit tax exempt U.S. organization that 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 individuals in Haiti through Fonkoze.

Sèvis Finansye Fonkoze is a Haitian financial services company formed in 2004 to operate multiple branches formerly operated by the Organization. Sèvis Finansye Fonkoze is a wholly owned subsidiary of the Haitian holding company Fonkoze SA.

Accounting Principles

The accompanying financial statements are prepared using accounting principles generally accepted in the United States and 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 statement of financial position.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance to determine uncollectable unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no unconditional promises to give at December 31, 2005 and 2004.

In-kind Contributions

Donated services and supplies are included in the statement of activities when the services received create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not donated. These services and supplies are recorded at their fair value at the date of donation.

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.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Investments

Investments are composed of money market funds, corporate debt and an investment in Fonkoze SA. Money market funds and corporate debt are recorded at market value. The investment in Fonkoze SA is accounted for using the equity method.

Loans

Loans are stated at book value, net of the allowance for loan losses. Non-performing loans are those for which payments are past due more than 30 days.

The allowance for loan losses presented in the statement of financial position represents an estimate determined by management based on collection history, collateral value and the economic situation of the borrower. Uncollectible loans are written off against the allowance for loan loss after all recovery efforts have been exhausted.

The risks of loan losses for the loan portfolios managed by the Organization under agreements with FACN and USAID are assumed by these institutions, which guarantee all losses in principal from these credit programs, in accordance with a signed agreement between these organizations and the Organization.

Specific rates of provisions applied to loans to women market vendors groups, small organizations and business development are based on the recommendations of ACCION (a network of micro-finance institutions) in its CAMEL rating and are as follows:

Current loans	0%
1 – 30 days past due	10%
31 – 90 days past due	30%
91 – 180 days past due	60%
More than 180 days past due	100%

The allowance for loan losses is adjusted to the amount determined by the use of these ratings, or three percent of total loans, whichever is greater.

The provision for loan losses reflected in the statement of activities represents the amount required to adjust the allowance for loan loss to the level deemed adequate by management.

Fixed Assets

It is the Organization's policy to capitalize property and equipment with a cost of more than USD 500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Conversion in Foreign Currencies

The functional currency of Fonkoze is the Haitian gourde (HTG). Consequently, assets and liabilities stated in foreign currencies are converted in Haitian gourdes at the exchange rate prevailing at year-end. Revenues and expenses are converted at the average exchange rate. Gains and losses resulting from these transactions are recorded in the statement of activities.

Transactions incurred in U.S. dollars are converted at the average exchange rate in effect at the transaction date. The average exchange rate for the years ended December 31, 2005 and 2004 was 40.4486 and 38.5224 Haitian gourdes to one U.S. dollar, respectively. Gains and losses related to exchange operations are reported in the statement of activities.

The official rate of exchange published by the Central Bank as of December 31, 2005 and 2004 was 43.0003 and 37.2318 Haitian gourdes to one U.S. dollar, respectively.

Income Taxes

According to its status as a non-profit organization incorporated under Haitian law, Fonkoze is exempt from income taxes.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2005 consisted of the following:

Currency held in branch offices	HTG	7,995,290
Deposits held in U.S. banks		5,106,198
Deposits held in Haitian banks		639,561
Deposits held in Sèvis Finansye Fonkoze		<u>7,598,693</u>
Total	<u>HTG</u>	<u>21,339,742</u>
Currency in U.S. dollars	HTG	1,676,625
Currency in Haitian gourdes		6,318,665
Deposits in U.S. dollars		6,226,658
Deposits in Haitian gourdes		<u>7,117,794</u>
Total	<u>HTG</u>	<u>21,339,742</u>

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents at December 31, 2004 consisted of the following:

Currency held in branch offices	HTG	4,856,996
Deposits held in U.S. banks		6,421,989
Deposits held in Haitian banks		4,216,959
Deposits held in Sèvis Finansye Fonkoze		2,781,146
 Total	 <u>HTG</u>	 <u>18,277,090</u>
 Currency in U.S. dollars	 HTG	 334,937
Currency in Haitian gourdes		4,522,059
Deposits in U.S. dollars		11,103,107
Deposits in Haitian gourdes		2,316,987
 Total	 <u>HTG</u>	 <u>18,277,090</u>

There is no deposit insurance for accounts held in Haitian banks. Deposits held in U.S. banks exceed the Federal Deposit Insurance Corporations limits by HTG 806,168 and HTG 3,192,588 for the years ended December 31, 2005 and 2004, respectively.

NOTE C – INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2005</u>	<u>2004</u>
Fonkoze USA Trust	HTG 2,913,717	HTG 4,465,737
Fonkoze SA	-	10,682,905
 Total	 <u>HTG 2,913,717</u>	 <u>HTG 15,148,642</u>

Fonkoze USA Trust funds are invested in U.S. Corporate bonds and a money market fund. Corporate bonds valued at HTG 1,720,012 and HTG 1,483,0543 at December 31, 2005 and 2004, respectively have less than an A rating by S & P and Moody's.

The investment in Fonkoze SA represents a 42% interest in that holding company. The value of this investment was determined using the equity method. The equity method requires that the original value of the investment be adjusted for Fonkoze SA's changes in equity for the period. The Organization's carrying value of this investment was decreased by HTG 10,539,949 and HTG 4,670,137 to record 42% of Sèvis Finansye Fonkoze's change in equity for 2005 and 2004, respectively. The adjustments for the change in equity are based on audited financial statements.

As a condition of a loan agreement between the Organization and Fonkoze USA, the Organization is required to maintain at all times a lien free portfolio of investment grade securities or cash deposits in the United states denominated in U.S. dollars. The aggregate value of such a portfolio should not be less than 15% of the amount loaned by Fonkoze USA. At December 31, 2005 and 2004, amounts held in U.S. bank accounts exceeded the required amount and the Organization was in compliance with the above condition.

Board policy requires the Organization to maintain at all times a lien free portfolio of investment grade securities or cash deposits in the United States denominated in U.S. dollars equal to 20% of deposits held.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE C – INVESTMENTS (CONTINUED)

At December 31, 2005 and 2004 amounts held in U.S. bank accounts exceeded the required amount and the Organization was in compliance with the above condition.

NOTE D – RELATED PARTY RECEIVABLE

Accounts receivable includes HTG 41,155,611 and HTG 37,779,996 receivable from Sèvis Finansye Fonkoze for the years ended December 31, 2005 and 2004, respectively. This receivable represents the summation of numerous intercompany transactions due to the transfer of assets and operations of several financial service branches transferred to Fonkoze SA during 2004 (Note I).

NOTE E – LOANS

Loans consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Market vendor solidarity groups	HTG 57,046,350	HTG 15,892,710
Business development	<u>50,476,564</u>	<u>21,067,126</u>
Total Loans	107,522,914	36,959,836
Less allowance for loan losses	<u>2,862,638</u>	<u>936,783</u>
Net Loans	<u>HTG 104,660,276</u>	<u>HTG 36,023,053</u>

The term of the loans is between three and twenty-four months. Interest rates vary between thirty-five and sixty percent. Approximately seventeen percent of loans at December 31, 2004 and fifteen percent of loans at December 31, 2005 were guaranteed (Note A).

Loans in the amount of HTG 2,500,424 and HTG 476,599 were written off. Recoveries of loans previously written off were HTG 316,044 for 2005. None were recovered in 2004. The allowance for loan losses was adjusted using a factor of three percent, which exceeds the allowance calculation using CAMEL rating (See Note A).

NOTE F – DEPOSITS

Deposits consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Deposits in Haitian gourdes	HTG 39,853,449	HTG 12,828,187
Deposits in U.S. dollars	<u>24,972,711</u>	<u>5,694,552</u>
Total	<u>HTG 64,826,160</u>	<u>HTG 18,522,739</u>

Deposits bear interest at rates between zero and two percent.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE G – NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Payable to Fonkoze USA with interest at annual percentage rates from zero to three percent and maturities from February 14, 2006 to December 9, 2010	HTG 54,360,119	HTG 36,638,697
Payable to Unibank with interest at thirty-two percent (2004) and twenty-one (2005) per annum. Due June, 2006	21,552,671	21,876,573
Payable to investors living abroad with interest at annual percentage rates from zero to three percent and maturities between February 9, 2006 and November 20,2010	5,536,517	4,947,591
Payable to Stitching Doen Foundation with interest at an annual percentage rate of eight percent. Due between August 3, 2006 and January 25, 2008	12,899,445	3,720,822
Total Principal Payable	94,348,752	67,183,683
Accrued Interest	<u>488,820</u>	<u>250,344</u>
Total	<u>HTG 94,837,572</u>	<u>67,434,027</u>

Notes payable at December 31, 2005 will mature as follows:

2006	46,524,894
2007	5,967,582
2008	8,474,714
2009	20,266,471
2010	<u>13,115,091</u>
TOTAL	<u>94,348,752</u>

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

Between 2002 and 2004 investors holding promissory notes made by the Organization or Fonkoze USA have forgiven the notes with a provision that the amounts forgiven would be restricted to use as micro-credit loans. Loans in the amount of HTG 1,095,007 and HTG 1,826,847 were forgiven in 2005 and 2004, respectively.

During 2000, USAID provided HTG 320,000 as a grant to the Organization to be used for Business Development Loans. This amount is permanently restricted for that purpose.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE I – REORGANIZATION

At June 30, 2004 the Organization transferred the assets and liabilities of all branches, that the Board of Directors deemed profitable, to a new financial services holding company, Fonkoze SA. Fonkoze SA wholly owns its subsidiary Sèvis Finansye Fonkoze, a financial services company. Both Fonkoze SA and Sèvis Finansye Fonkoze were incorporated under the laws of the Republic of Haiti.

Prior to the transfer, a value was placed on the net assets to be transferred by the accounting appraisal office, Serres & Associates. That appraisal resulted in an increase in the value of the net assets to be transferred of HTG 8,177,060. This amount is shown on the Statement of Activities as Gain on Transfer of Assets. The value of the net assets at the date of transfer was HTG 2,012,768. This amount was due to the Organization at December 31, 2004 and is included in Accounts Receivable on the Statement of Financial Position (Note D).

The Organization agreed to invest USD 500,000 in Fonkoze SA receiving a 42% interest in the holding company. The Organization owed Fonkoze USD 393,683 and USD 443,683 (HTG 16,519,117) at December 31, 2005 and 2004, respectively, for this stock subscription. This amount is included in Accounts Payable on the Statement of Financial Position.

NOTE J – PRIOR YEAR ADJUSTMENTS

During 2004 management discovered that certain fixed assets purchased prior to January 1, 2004 had not been recorded properly. An adjustment of HTG 171,480 was made to increase Net Assets by this amount.

NOTE K – REPORTING UNDER FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT 117

FASBS 117 requires the reporting by functional classifications. Program services expenditures must be shown separately from support activity expenditures. The Organization’s supporting activities are performed by Fonkoze USA. Management believes all of the Organization’s activities are program related.

NOTE L – COMMITMENTS

The Organization leases office space on a long-term basis. Future obligations under these leases are:

2006	HTG	314,376
2007		653,388
2008		801,506
2009		703,880
2010		253,168
TOTAL	<u>HTG</u>	<u>2,726,318</u>

NOTE M – RESTATED REPORT

Subsequent to the date of the original report, June 21, 2006, management discovered an error in the calculation of the carrying value of the Organization’s investment in Fonkoze SA. The carrying value of this investment was determined using the equity method. The equity method requires that the original value (cost) of the investment be adjusted for the changes in the subsidiary’s equity. This value was calculated using the change in equity of Fonkoze SA based on audited financial statements. A subsequent audit of Fonkoze SA resulted in lower equity value at December 31, 2005 and 2004. This adjustment reduced the value of the investment by HTG 5,566,497 from the value previously reported for 2005 and HTG 3,262,858 for 2004. The carrying value of this investment at December 31, 2005 is zero.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Fondasyon Kole Zepòl (Fonkoze)
Port Au Prince, Haiti

Our report on our audit of the basic financial statements of Fondasyon Kole Zepòl (Fonkoze) for the years ended December 31, 2005 and 2004 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 statements of financial position are expressed in U.S. dollars and 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
June 21, 2006 except for Note M, as to
which the date is November 27, 2006



FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 496,270	\$ 490,900
INVESTMENTS	67,760	406,874
ACCOUNTS RECEIVABLE	1,243,422	1,094,948
LOANS	2,500,515	992,695
Less allowance for loan losses	66,572	25,161
Net loans	2,433,943	967,534
FIXED ASSETS	340,562	208,318
Accumulated depreciation	90,194	30,023
Fixed assets, net	250,368	178,295
OTHER ASSETS	57,799	51,969
TOTAL ASSETS	\$ 4,549,562	\$ 3,190,520
LIABILITIES AND NET ASSETS		
DEPOSITS	\$ 1,507,575	\$ 497,498
BANK OVERDRAFTS	101,715	-
NOTES PAYABLE		
Current portion	1,103,234	1,102,959
Long-term portion	1,102,275	708,235
OTHER LIABILITIES	481,168	480,413
TOTAL LIABILITIES	4,295,967	2,789,105
NET ASSETS		
Unrestricted	157,071	318,809
Permanently restricted net assets	96,524	82,606
TOTAL NET ASSETS	253,595	401,415
TOTAL LIABILITIES AND NET ASSETS	\$ 4,549,562	\$ 3,190,520

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