

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, 2006 AND 2005



CRAFT, NOBLE & COMPANY  
PLLC

Certified Public Accountants  
Post Office Box 827  
Richmond, KY 40476  
[www.craftnoble.com](http://www.craftnoble.com)

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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, 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 Fondasyon Kole Zepòl (Fonkoze) as of December 31, 2006 and 2005 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 L 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 2005 financial statements and notes have been restated to correct the error.

*Craft, Noble & Company, PLLC*

Craft, Noble & Company, PLLC  
August 17, 2007



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FONDASYON KOLE ZEPÒL  
FONKOZE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2006 AND 2005

		<u>2006</u>		<u>2005</u>
ASSETS				
CASH AND CASH EQUIVALENTS	HTG	18,582,696	HTG	16,233,544
INVESTMENTS		12,198,384		8,019,915
ACCOUNTS RECEIVABLE		28,883,746		53,467,522
LOANS		159,587,309		107,522,914
Less allowance for loan losses		6,635,157		2,862,638
Net loans		<u>152,952,152</u>		<u>104,660,276</u>
FIXED ASSETS		26,700,327		14,644,283
Accumulated depreciation		8,613,629		3,878,361
Fixed assets, net		<u>18,086,698</u>		<u>10,765,922</u>
OTHER ASSETS		<u>2,716,100</u>		<u>2,485,371</u>
TOTAL ASSETS	HTG	<u><u>233,419,776</u></u>	HTG	<u><u>195,632,550</u></u>
LIABILITIES AND NET ASSETS				
DEPOSITS	HTG	87,256,658	HTG	64,826,160
BANK OVERDRAFTS		-		4,373,777
NOTES PAYABLE				
Current portion		67,645,910		46,524,894
Long-term portion		49,041,616		48,312,678
OTHER LIABILITIES		<u>14,413,517</u>		<u>20,690,362</u>
TOTAL LIABILITIES		218,357,701		184,727,871
NET ASSETS				
Unrestricted		(1,575,582)		7,162,601
Temporarily restricted net assets		12,670,031		-
Permanently restricted net assets		<u>3,967,626</u>		<u>3,742,078</u>
TOTAL NET ASSETS		<u>15,062,075</u>		<u>10,904,679</u>
TOTAL LIABILITIES AND NET ASSETS	HTG	<u><u>233,419,776</u></u>	HTG	<u><u>195,632,550</u></u>

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

FONDASYON KOLE ZEPÒL  
FONKOZE  
STATEMENTS OF ACTIVITIES  
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
INTEREST INCOME		
Loans	HTG 42,941,124	HTG 18,891,878
Other	<u>422,115</u>	<u>642,975</u>
TOTAL INTEREST INCOME	43,363,239	19,534,853
INTEREST EXPENSES		
Deposits and debt	<u>9,277,234</u>	<u>2,673,706</u>
NET INTEREST INCOME	34,086,005	16,861,147
Provision for loan losses	<u>5,358,013</u>	<u>2,184,380</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	28,727,992	14,676,767
OTHER INCOME (EXPENSE)		
Donations	9,803,073	45,850,285
Gain (loss) due to exchange rate fluctuations	(2,187,646)	1,789,439
Foreign exchange gain	6,979,836	3,693,405
Membership dues	1,673,212	1,434,636
Unrealized loss on investments	-	(140,254)
Realized loss on investments	-	(152,320)
Loss on investment in subsidiary	-	(12,843,588)
Other	<u>2,843,075</u>	<u>1,724,715</u>
NET INTEREST INCOME AND OTHER INCOME	47,839,543	56,033,085
NET ASSETS RELEASED FROM RESTRICTIONS	(28,188,287)	-
OPERATING EXPENSES		
Salaries and other employee benefits	42,555,730	28,214,133
Premises and equipment expenses	7,901,991	4,152,498
Depreciation	4,735,271	2,827,820
Other expenses	<u>29,573,020</u>	<u>25,545,864</u>
TOTAL OPERATING EXPENSE	84,766,012	60,740,315
CHANGE IN UNRESTRICTED NET ASSETS	(8,738,183)	(4,707,230)
TEMPORARILY RESTRICTED NET ASSETS		
Grant revenue	40,858,318	-
NET ASSETS RELEASED FROM RESTRICTIONS	(28,188,287)	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	12,670,031	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Capital grant contribution	225,548	666,505
CHANGE IN NET ASSETS	4,157,396	(4,040,725)
NET ASSETS AT BEGINNING OF YEAR	<u>10,904,679</u>	<u>14,945,404</u>
NET ASSETS AT END OF YEAR	HTG <u><u>15,062,075</u></u>	HTG <u><u>10,904,679</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	HTG 4,157,396	HTG (4,040,725)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,735,271	2,827,820
Unrealized loss on investments	-	140,254
Realized loss on investments	-	152,320
Loss on investment in subsidiary	-	12,843,588
(Increase) decrease in:		
Accounts receivable	24,583,776	(12,700,627)
Loans	(48,291,876)	(68,637,223)
Other assets	(230,729)	(550,453)
Increase (decrease) in:		
Deposits	22,430,498	46,303,421
Other liabilities	(6,276,845)	7,177,482
Bank overdrafts	<u>(4,373,777)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,266,286)</b>	<b>(16,484,143)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	27,378,989	27,727,447
Payments on debt	<u>(5,529,035)</u>	<u>(323,902)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>21,849,954</b>	<b>27,403,545</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of fixed assets		-
Purchase of fixed assets	(12,056,047)	(6,955,513)
Sale of investments	3,339,811	1,520,788
Purchase of investments	<u>(7,518,280)</u>	<u>(7,528,223)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(16,234,516)</b>	<b>(12,962,948)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,349,152</b>	<b>(2,043,546)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>16,233,544</u></b>	<b><u>18,277,090</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>HTG <u><u>18,582,696</u></u></b>	<b>HTG <u><u>16,233,544</u></u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	<b>HTG <u><u>8,785,983</u></u></b>	<b>HTG <u><u>2,435,230</u></u></b>

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

FONDASYON KOLE ZEPÒL  
FONKOZE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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 an 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, 2006 and 2005.

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.

FONDASYON KOLE ZEPÒL  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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

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.

Accounts Receivable

Accounts receivable consists of related party receivables (Note D), grants receivable, interest receivable and other miscellaneous amounts due from customers and other financial service companies. The Organization believes these are all collectible and therefore has made no allowance for doubtful accounts.

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.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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

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. Fixed assets consist of leasehold improvements, motor vehicles, computers and furniture, all of which are used exclusively to provide program services.

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, 2006 and 2005 was 40.4085 and 40.4486 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, 2006 and 2005 was 37.5914 and 43.0003 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, 2006 consisted of the following:

Currency held in branch offices	HTG	8,041,309
Deposits held in U.S. banks		124,352
Deposits held in Haitian banks		5,643,469
Deposits held in Sèvis Finansye Fonkoze		<u>4,773,566</u>
Total	HTG	<u>18,582,696</u>
Currency in U.S. dollars	HTG	1,076,166
Currency in Haitian gourdes		6,965,143
Deposits in U.S. dollars		2,039,393
Deposits in Haitian gourdes		<u>8,501,994</u>
Total	HTG	<u>18,582,696</u>

FONDASYON KOLE ZEPÒL  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

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		-
Deposits held in Haitian banks		639,561
Deposits held in Sèvis Finansye Fonkoze		<u>7,598,693</u>
 Total	 <u>HTG</u>	 <u>16,233,534</u>
 Currency in U.S. dollars	 HTG	 1,676,625
Currency in Haitian gourdes		6,318,665
Deposits in U.S. dollars		1,120,460
Deposits in Haitian gourdes		<u>7,117,794</u>
 Total	 <u>HTG</u>	 <u>16,233,534</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 1,045,316 and HTG 806,168 for the years ended December 31, 2006 and 2005, respectively. Previously the Organization chose to classify deposits held in the United States in The Self Help Credit Union as cash. This deposit is currently classified as an investment. For the purpose of comparison this account has been reclassified for the year ended December 31, 2005.

NOTE C – INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2006</u>	<u>2005</u>
Fonkoze USA Trust		
Morgan Keegan	HTG -	HTG 2,913,717
Self Help Credit Union Deposit	4,680,104	5,106,198
Fonkoze SA	-	-
Unibank Time Deposit	<u>7,518,280</u>	<u>-</u>
 Total	 <u>HTG 12,198,384</u>	 <u>HTG 8,019,915</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 at December 31, 2005 have less than an A rating by S & P and Moodys.

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 to record 42% of Sèvis Finansye Fonkoze's change in equity for 2005. The adjustment for the change in equity is based on audited financial statements.

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FONKOZE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

NOTE C – INVESTMENTS (CONTINUED)

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, 2006 the Organization was not in compliance with this condition. The Organization transferred funds on August 15, 2007 and was in compliance on that date. At December 31, 2005, 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 6,593,266 and HTG 41,155,611 receivable from Sèvis Finansye Fonkoze for the years ended December 31, 2006 and 2005, 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 E – LOANS

Loans consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Market vendor solidarity groups	HTG 96,038,016	HTG 57,046,350
Business development	<u>63,549,293</u>	<u>50,476,564</u>
Total Loans	159,587,309	107,522,914
Less allowance for loan losses	<u>6,635,157</u>	<u>2,862,638</u>
Net Loans	<u>HTG 152,952,152</u>	<u>HTG 104,660,276</u>

The term of the loans is between three and twenty-four months. Interest rates vary between thirty-five and sixty percent. Approximately five percent of loans at December 31, 2005 and December 31, 2006 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 2006. For the year ended December 31, 2006 the allowance was more than three percent using the CAMEL ratings. For the year ended December 31, 2005 the CAMEL ratings method produced an amount under three percent and the allowance was carried at three percent.

FONDASYON KOLE ZEPÒL  
FONKOZE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

NOTE F – DEPOSITS

Deposits consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Deposits in Haitian gourdes	HTG 65,023,383	HTG 39,853,449
Deposits in U.S. dollars	<u>22,233,275</u>	<u>24,972,711</u>
Total	<u>HTG 87,256,658</u>	<u>HTG 64,826,160</u>

Deposits bear interest at rates between zero and two percent.

NOTE G – NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Payable to Fonkoze USA with interest at annual percentage rates from zero to three percent and maturities from May 10, 2007 to October 13, 2011	HTG 50,453,673	HTG 54,360,119
Payable to Unibank with interest at twenty-one percent (2005) and twenty-one and one half percent (2006) per annum. Due June, 2007	46,354,313	21,552,671
Payable to investors living abroad with interest at annual percentage rates from zero to four percent and maturities between January 22, 2007 and March 23, 2011	7,622,613	5,536,517
Payable to Stitching Doen Foundation with interest at an annual percentage rate of eight percent. Due between February 1, 2007 and January 25, 2008	<u>11,276,856</u>	<u>12,899,445</u>
Total Principal Payable	115,707,455	94,348,752
Accrued Interest	<u>980,071</u>	<u>488,820</u>
Total	<u>HTG 116,687,526</u>	<u>HTG 94,837,572</u>

Notes payable at December 31, 2006 will mature as follows:

2007	HTG 67,645,910
2008	8,884,164
2009	22,411,617
2010	12,781,076
2011	<u>3,984,688</u>
TOTAL	<u>HTG 115,707,455</u>

FONDASYON KOLE ZEPÒL  
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NOTES TO FINANCIAL STATEMENTS  
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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 225,548 and HTG 666,505 were forgiven in 2006 and 2005, 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.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE J – 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 K – COMMITMENTS

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

2007	HTG	1,091,712
2008		411,062
2009		125,823
2010		102,284
2011		22,856
TOTAL	<u>HTG</u>	<u>1,753,737</u>

NOTE L – 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 unaudited 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. As a result the change in net assets for the year ended December 31, 2005 was reduced by HTG 5,566,497.

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, 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 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  
August 17, 2007



FONDASYON KOLE ZEPÒL  
FONKOZE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 494,334	\$ 377,522
INVESTMENTS	324,499	186,508
ACCOUNTS RECEIVABLE	768,360	1,243,422
LOANS	4,245,314	2,500,515
Less allowance for loan losses	176,507	66,572
Net loans	4,068,807	2,433,943
FIXED ASSETS	710,278	340,562
Accumulated depreciation	229,138	90,194
Fixed assets, net	481,140	250,368
OTHER ASSETS	72,253	57,799
TOTAL ASSETS	\$ 6,209,393	\$ 4,549,562
LIABILITIES AND NET ASSETS		
DEPOSITS	\$ 2,321,187	\$ 1,507,575
BANK OVERDRAFTS	-	101,715
NOTES PAYABLE		
Current portion	1,799,505	1,103,234
Long-term portion	1,304,596	1,102,275
OTHER LIABILITIES	383,426	481,168
TOTAL LIABILITIES	5,808,714	4,295,967
NET ASSETS		
Unrestricted	(41,913)	166,571
Temporarily restricted net assets	337,046	-
Permanently restricted net assets	105,546	87,024
TOTAL NET ASSETS	400,679	253,595
TOTAL LIABILITIES AND NET ASSETS	\$ 6,209,393	\$ 4,549,562

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