

FONKOZE USA, INC.
WASHINGTON, DC

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AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fonkoze USA, Inc.
Washington, DC

We have audited the accompanying statements of financial position of Fonkoze USA, Inc. (a not-for-profit organization) as of December 31, 2009 and 2008 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 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, 2009 and 2008 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
June 30, 2010



FONKOZE USA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 615,583	\$ 250,132
Interest receivable	1,765	36,906
Loans receivable - current portion	451,100	765,150
Prepaid expenses	2,434	4,094
Grants receivable	31,495	19,326
Pledges receivable	20,000	20,000
Other receivables	871	18,402
	1,123,248	1,114,010
PROPERTY AND EQUIPMENT		
Software	7,941	7,941
Less: Accumulated Depreciation	(5,515)	(2,868)
	2,426	5,073
INVESTMENTS		
	186,954	68,652
GRANTS RECEIVABLE		
	40,000	60,000
LOANS RECEIVABLE - less current portion		
	1,678,050	1,150,100
TOTAL ASSETS	\$ 3,030,678	\$ 2,397,835
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,512	\$ 11,557
Grants payable	91,495	-
Interest payable	-	2,700
Loans payable - investors, current portion	456,100	802,150
	553,107	816,407
LOANS PAYABLE - INVESTORS, less current portion		
	1,698,050	1,148,100
TOTAL LIABILITIES	2,251,157	1,964,507
NET ASSETS		
Unrestricted	659,911	274,094
Unrestricted - Board designated	72,610	58,087
Temporarily restricted	-	79,147
Permanently restricted	47,000	22,000
	779,521	433,328
TOTAL NET ASSETS	779,521	433,328
TOTAL LIABILITIES AND NET ASSETS	\$ 3,030,678	\$ 2,397,835

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

FONKOZE USA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES							
Contributions and grants	\$ 1,121,193	\$ 1,205,662	\$ 25,000	\$ 504,971	\$ 1,048,620	\$ 22,000	\$ 1,575,591
Conference fees	-	-	-	24,851	-	-	24,851
Interest and dividend income	55,851	-	55,851	54,027	-	-	54,027
Delegation income	39,050	-	-	22,300	-	-	22,300
Realized gain (loss) on investments	(8,930)	-	(8,930)	1,476	-	-	1,476
Unrealized gain (loss) on investments	19,205	-	-	(23,269)	-	-	(23,269)
Other income	55	-	55	2,038	-	-	2,038
Net assets released from restrictions:							
Satisfaction of program restrictions	1,284,809	(1,284,809)	-	991,277	(991,277)	-	-
TOTAL REVENUES	2,511,233	(79,147)	25,000	1,577,671	57,343	22,000	1,657,014
EXPENSES							
PROGRAM SERVICES:							
Grants to Fondasoyon Kole Zepól	1,494,224	-	-	928,269	-	-	928,269
Grants to development partners	59,496	-	59,496	89,090	-	-	89,090
Education	110,630	-	-	127,277	-	-	127,277
Other Program Expenses	133,584	-	-	50,633	-	-	50,633
TOTAL PROGRAM SERVICES	1,797,934	-	-	1,195,269	-	-	1,195,269
SUPPORTING SERVICES							
Fundraising	118,450	-	-	110,029	-	-	110,029
Administration	194,509	-	-	176,491	-	-	176,491
TOTAL SUPPORTING SERVICES	312,959	-	-	286,520	-	-	286,520
TOTAL EXPENSES	2,110,893	-	-	1,481,789	-	-	1,481,789
CHANGE IN NET ASSETS	400,340	(79,147)	25,000	95,882	57,343	22,000	175,225
NET ASSETS AT BEGINNING OF YEAR	332,181	79,147	22,000	236,299	21,804	-	258,103
NET ASSETS AT END OF YEAR	\$ 732,521	\$ -	\$ 47,000	\$ 332,181	\$ 79,147	\$ 22,000	\$ 433,328

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

FONKOZE USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Other Program Expenses					Total
	Grants	Education	Expenses	Fundraising	Administration	
Amos fund expenses	\$ -	\$ -	\$ 13,340	\$ -	\$ -	\$ 13,340
Board meetings	-	-	-	-	11,322	11,322
Computer technology	-	-	-	-	2,786	2,786
Contract labor	-	14,988	17,100	5,243	19,509	56,840
Credit card processing fees	-	-	-	-	806	806
Delegations to Haiti	-	-	31,653	-	-	31,653
Depreciation	-	-	-	-	2,647	2,647
Dues and subscriptions	-	-	-	2,317	-	2,317
Grants to development partners	59,496	-	-	-	-	59,496
Grants to Fonkoze Haiti	1,494,224	-	-	-	-	1,494,224
Insurance	-	3,177	1,776	3,438	10,794	19,185
Interest expense	-	-	20,551	-	-	20,551
Licenses and permits	-	-	8,127	-	-	8,127
Miscellaneous	-	-	-	-	3,179	3,179
Office and storage rent	-	-	-	-	9,299	9,299
Payroll taxes and fees	-	66	-	567	20,049	20,682
Postage and delivery	-	7,102	525	3,905	6,762	18,294
Printing and reproduction	-	19,239	95	13,050	1,855	34,239
Professional services	-	-	-	-	15,375	15,375
Retirement expense	-	-	-	-	8,750	8,750
Salaries	-	56,175	38,000	80,250	56,262	230,687
Supplies	-	-	-	-	9,966	9,966
Telephone	-	-	-	667	4,518	5,185
Travel and meetings	-	9,883	2,417	9,013	10,630	31,943
TOTAL	\$ 1,553,720	\$ 110,630	\$ 133,584	\$ 118,450	\$ 194,509	\$ 2,110,893

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

FONKOZE USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Grants to Fondasyon Kole Zepól	\$ 928,269	\$ -	-	-	-	\$ 928,269
Grants to development partners	89,090	-	-	-	-	89,090
Advertising	-	-	-	-	-	-
Delegations to Haiti	-	-	7,756	-	-	7,756
Depreciation	-	-	-	-	2,647	2,647
Dues and subscriptions	-	-	-	-	3,399	3,399
Technology	-	-	-	-	10,379	10,379
Board meetings	-	-	-	-	4,665	4,665
Postage and delivery	-	5,468	5,892	4,104	6,740	22,204
Printing	-	24,969	2,214	13,880	3,905	44,968
Supplies	-	-	-	-	5,710	5,710
Telephone	-	956	-	956	957	2,869
Travel	-	10,096	-	8,654	10,096	28,846
Bank charges	-	-	-	-	837	837
Interest expense	-	-	24,366	-	-	24,366
Insurance	-	-	-	-	7,782	7,782
Licenses and permits	-	-	-	-	2,856	2,856
List exchange fees	-	-	-	75	-	75
Professional services	-	-	-	-	15,515	15,515
Rent	-	-	-	-	5,924	5,924
Miscellaneous	-	-	-	-	1,647	1,647
Salaries	-	48,125	9,500	68,750	41,679	168,054
Payroll taxes and fees	-	4,376	905	6,036	3,772	15,089
Retirement plan	-	-	-	-	12,900	12,900
Solidarity conference	-	16,269	-	3,816	-	20,085
Contract services	-	17,018	-	3,758	35,081	55,857
TOTAL	\$ 1,017,359	\$ 127,277	\$ 50,633	\$ 110,029	\$ 176,491	\$ 1,481,789

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

FONKOZE USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 346,193	\$ 175,225
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,647	2,647
Realized (gain) loss on investments	8,930	(1,476)
Unrealized (gain) loss on investments	(19,205)	23,269
(Increase) decrease in:		
Interest receivable	35,141	(15,119)
Prepaid expenses	1,660	(2,142)
Grants receivable	(12,169)	(19,326)
Pledges receivable	20,000	(80,000)
Other receivables	17,531	(11,750)
Increase (decrease) in:		
Accounts payable	(6,045)	(6,284)
Grants payable	91,495	(77,739)
Interest payable	(2,700)	2,700
	<u>483,478</u>	<u>(9,995)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	-
Purchase of investments	(248,038)	(57,273)
Proceeds from sales of investments	140,011	38,201
	<u>(108,027)</u>	<u>(19,072)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in loans receivable	(213,900)	84,910
Increase (decrease) in loans payable - investors	203,900	(79,910)
	<u>(10,000)</u>	<u>5,000</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	365,451	(24,067)
CASH AT BEGINNING OF YEAR	<u>250,132</u>	<u>274,199</u>
CASH AT END OF YEAR	<u>\$ 615,583</u>	<u>\$ 250,132</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 23,251	\$ 21,666

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

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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 and called Development Partners.

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, 2009, the Organization had zero temporarily restricted net assets and \$47,000 of permanently restricted net assets. At December 31, 2008 the Organization had \$79,147 of temporarily restricted net assets and \$22,000 of permanently 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, 2009 AND 2008

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 of a 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. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is not aware of any unrelated business income as of June 30, 2010. The Financial Accounting Standards Board (FASB) has issued an Interpretation (FIN 48), *Accounting for Uncertainty in Income Taxes*, which requires entities to disclose known or anticipated positions of income tax uncertainty. The Organization has never been audited by the Internal Revenue Service (IRS). However, the tax years 2006 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

NOTE 2 – INVESTMENTS

Investments held by the Organization consisted of the following as of December 31, 2009:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 30,646	\$ 30,658	\$ 12
Mutual funds	47,136	54,995	7,859
Securities	1,323	1,301	(22)
Investment in Fonkoze SA	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Balance, December 31, 2009	<u>\$ 179,105</u>	<u>\$ 186,954</u>	7,849
Balance, December 31, 2008	<u>\$ 80,008</u>	<u>\$ 68,652</u>	<u>(11,356)</u>
Unrealized gain on investments			<u>\$ 19,205</u>

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 – INVESTMENTS (CONTINUED)

Investments held by the Organization consisted of the following as of December 31, 2008:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 26,628	\$ 26,628	\$ -
Mutual funds	51,156	38,810	(12,346)
Securities	<u>2,224</u>	<u>3,214</u>	<u>990</u>
Balance, December 31, 2008	<u>\$ 80,008</u>	<u>\$ 68,652</u>	(11,356)
Balance, December 31, 2007	<u>\$ 59,460</u>	<u>\$ 71,373</u>	<u>11,913</u>
Unrealized loss on investments			<u>\$ (23,269)</u>

Fair Value Measurements

Fair value of assets and liabilities measured on a recurring basis at December 31, 2009 and 2008 are as follows:

	<u>Fair value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2009</u>				
Available-for-sale securities	\$ 100,000	\$ 100,000	\$ -	\$ -
Trading securities	<u>86,954</u>	<u>86,954</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 186,954</u>	<u>\$ 186,954</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2008</u>				
Trading securities	<u>\$ 68,652</u>	<u>\$ 68,652</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 3 – UNINSURED CASH BALANCES

At December 31, 2009, the Organization had deposit accounts at CNB Bank, Newark, New Jersey whose balance exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC) by the amount of \$351,855. At December 31, 2008, all deposit accounts were fully insured by the FDIC.

FONKOZE USA, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

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. Two of fourteen board members is common to the Organization and Fondasyon Kole Zepól. For the years ended December 31, 2009 and 2008, grants in the amount of \$1,494,224 and \$928,269, respectively, were made to Fondasyon Kole Zepól. At December 31, 2009 and 2008, loans receivable from Fondasyon Kole Zepól were \$2,129,150 and \$1,915,250, respectively. Interest income from loans to Fondasyon Kole Zepól was \$49,668 and \$47,909, respectively, for the years ended December 31, 2009 and 2008. Interest receivable from Fondasyon Kole Zepól at December 31, 2009 and 2008 was \$1,765 and \$36,906, respectively.

NOTE 5 – LEASE

The Organization occupies office space in Washington, DC. The rental payments for their offices are made under lease terms that are in force on a month-to-month basis. Rent expense for the years ended December 31, 2009 and 2008, was \$6,440 and \$5,511, respectively.

NOTE 6 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$456,100 and \$802,150, current portion, and \$1,698,050 and \$1,148,100, long-term portion, as of December 31, 2009 and 2008, respectively, are comprised of payables to various investors who have made loans to Fonkoze USA, Inc. to support its programs and activities. The interest rates on these loans payable vary between zero and three percent, and the maturity dates vary up to March 2016. Interest expense on loans payable was \$20,551 and \$24,367 for the years ended December 31, 2009 and 2008, respectively.

Maturity on the loans is as follows:

2010	\$	456,100
2011		400,000
2012		878,050
2013		65,000
2014 and after		<u>355,000</u>
Total		2,154,150
Less: current portion		<u>456,100</u>
Loans Payable – Investors – Long-term	\$	<u><u>1,698,050</u></u>

NOTE 7 – 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, 2009 and 2008 was \$72,610 and \$58,087, respectively.

NOTE 8 – 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 on pages 4 and 5 of this report.

NOTE 9 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through June 30, 2010, the date this report becomes available for issue.