

FONKOZE USA, INC.  
WASHINGTON, DC

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AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009



CRAFT, NOBLE & COMPANY  
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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, 2010 and 2009 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, 2010 and 2009 and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10 to the financial statements, certain errors resulting in the misclassification of functional expenses were discovered by management of the Organization subsequent to the issuance of our report for the years ended December 31, 2009 and 2008, dated June 30, 2010. Accordingly, the 2009 financial statements have been restated to correct those errors.

*Craft, Noble & Company, PLLC*

Craft, Noble & Company, PLLC  
May 31, 2011



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FONKOZE USA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,117,671	\$ 615,583
Interest receivable	6,744	1,765
Loans receivable - current portion	646,290	459,994
Prepaid expenses	12,305	2,434
Donations receivable	151,874	31,495
Pledges receivable	20,000	20,000
Other receivables	2,000	871
	1,956,884	1,132,142
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	8,975	-
Software	7,941	7,941
Less: Accumulated Depreciation	(8,689)	(5,515)
	8,227	2,426
<b>INVESTMENTS</b>		
	318,342	186,954
<b>PLEDGES RECEIVABLE</b>		
	20,000	40,000
<b>LOANS RECEIVABLE - less current portion</b>		
	1,503,966	1,669,156
<b>OTHER ASSETS</b>		
	10,846	-
	\$ 3,818,265	\$ 3,030,678
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 60,769	\$ 5,512
Grants payable	4,500	91,495
Interest payable	6,269	-
Loans payable - investors, current portion	671,290	464,994
	742,828	562,001
<b>LOANS PAYABLE - INVESTORS, less current portion</b>		
	1,503,966	1,689,156
	2,246,794	2,251,157
<b>NET ASSETS</b>		
Unrestricted	951,381	706,911
Unrestricted - Board designated	155,924	25,610
Temporarily restricted	417,166	-
Permanently restricted	47,000	47,000
	1,571,471	779,521
	\$ 3,818,265	\$ 3,030,678

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

FONKOZE USA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>								
Contributions and grants	\$ 984,037	\$ 3,768,226	\$ -	\$ 4,752,263	\$ 1,121,193	\$ 1,205,662	\$ 25,000	\$ 2,351,855
Conference fees	-	-	-	-	-	-	-	-
Interest and dividend income	65,543	-	-	65,543	55,851	-	-	55,851
Delegation income	21,395	-	-	21,395	39,050	-	-	39,050
Realized gain (loss) on investments	(692)	-	-	(692)	(8,930)	-	-	(8,930)
Unrealized gain (loss) on investments	4,054	-	-	4,054	19,205	-	-	19,205
Other income	222	-	-	222	55	-	-	55
Net assets released from restrictions:								
Satisfaction of program restrictions	3,351,060	(3,351,060)	-	-	1,284,809	(1,284,809)	-	-
<b>TOTAL REVENUES</b>	<b>4,425,619</b>	<b>417,166</b>	<b>-</b>	<b>4,842,785</b>	<b>2,511,233</b>	<b>(79,147)</b>	<b>25,000</b>	<b>2,457,086</b>
<b>EXPENSES</b>								
<b>PROGRAM SERVICES:</b>								
Grants to Fondasyon Kole Zepól	3,290,247	-	-	3,290,247	1,494,224	-	-	1,494,224
Grants to development partners	103,863	-	-	103,863	59,496	-	-	59,496
Education	98,375	-	-	98,375	142,283	-	-	142,283
Other Program Expenses	152,875	-	-	152,875	93,804	-	-	93,804
<b>TOTAL PROGRAM SERVICES</b>	<b>3,645,360</b>	<b>-</b>	<b>-</b>	<b>3,645,360</b>	<b>1,789,807</b>	<b>-</b>	<b>-</b>	<b>1,789,807</b>
<b>SUPPORTING SERVICES</b>								
Fundraising	159,732	-	-	159,732	118,450	-	-	118,450
Administration	245,743	-	-	245,743	202,636	-	-	202,636
<b>TOTAL SUPPORTING SERVICES</b>	<b>405,475</b>	<b>-</b>	<b>-</b>	<b>405,475</b>	<b>321,086</b>	<b>-</b>	<b>-</b>	<b>321,086</b>
<b>TOTAL EXPENSES</b>	<b>4,050,835</b>	<b>-</b>	<b>-</b>	<b>4,050,835</b>	<b>2,110,893</b>	<b>-</b>	<b>-</b>	<b>2,110,893</b>
<b>CHANGE IN NET ASSETS</b>	<b>374,784</b>	<b>417,166</b>	<b>-</b>	<b>791,950</b>	<b>400,340</b>	<b>(79,147)</b>	<b>25,000</b>	<b>346,193</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>732,521</b>	<b>-</b>	<b>47,000</b>	<b>779,521</b>	<b>332,181</b>	<b>79,147</b>	<b>22,000</b>	<b>433,328</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,107,305</b>	<b>\$ 417,166</b>	<b>\$ 47,000</b>	<b>\$ 1,571,471</b>	<b>\$ 732,521</b>	<b>\$ -</b>	<b>\$ 47,000</b>	<b>\$ 779,521</b>

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

FONKOZE USA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Grants to Fondasyon Kole Zepól	\$ 3,290,247	\$ -	\$ -	\$ -	\$ -	\$ 3,290,247
Grants to development partners	103,863	-	-	-	-	103,863
Amos family expenses	-	-	7,270	-	-	7,270
Delegations to Haiti	-	16,384	-	-	-	16,384
Depreciation	-	-	-	-	3,174	3,174
Diaspora work	-	-	11,719	-	-	11,719
Dues and subscriptions	-	-	-	-	2,000	2,000
Technology	-	-	-	-	8,248	8,248
Board meetings	-	-	-	-	13,135	13,135
Postage and delivery	-	5,074	2,055	4,678	5,540	17,347
Printing	-	11,536	7,729	15,215	7,114	41,594
Supplies	-	-	-	-	5,123	5,123
Telephone	-	703	-	854	3,047	4,604
Training	-	-	-	-	878	878
Travel	-	6,014	6,571	8,114	2,591	23,290
Bank charges	-	-	-	-	16,399	16,399
Interest expense	-	-	37,889	-	-	37,889
Insurance	-	2,031	2,877	2,901	8,838	16,647
Licenses and permits	-	-	-	-	4,740	4,740
Professional services	-	-	-	-	12,075	12,075
Rent	-	-	-	-	32,085	32,085
Miscellaneous	-	-	8,766	-	1,462	10,228
Moving costs	-	-	-	-	5,239	5,239
Office utilities & maintenance	-	-	-	-	1,869	1,869
Salaries	-	42,671	50,600	60,958	73,538	227,767
Payroll taxes and fees	-	3,557	3,998	5,081	8,390	21,026
Retirement plan	-	1,575	-	2,250	3,825	7,650
Solidarity conference & other events	-	-	-	47,681	-	47,681
Social media/communications	-	6,250	-	-	-	6,250
Contract services	-	2,580	13,371	12,000	22,193	50,144
Earthquake expense reimbursement	-	-	-	-	4,240	4,240
Zafen Paypal fees	-	-	30	-	-	30
<b>TOTAL</b>	<b>\$ 3,394,110</b>	<b>\$ 98,375</b>	<b>\$ 152,875</b>	<b>\$ 159,732</b>	<b>\$ 245,743</b>	<b>\$ 4,050,835</b>

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

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
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
<b>TOTAL</b>	<b>\$ 1,553,720</b>	<b>\$ 142,283</b>	<b>\$ 93,804</b>	<b>\$ 118,450</b>	<b>\$ 202,636</b>	<b>\$ 2,110,893</b>

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

FONKOZE USA, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 791,950	\$ 346,193
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,174	2,647
Realized (gain) loss on investments	692	8,930
Unrealized (gain) loss on investments	(4,054)	(19,205)
(Increase) decrease in:		
Interest receivable	(4,979)	35,141
Prepaid expenses	(9,871)	1,660
Donations receivable	(120,379)	(12,169)
Pledges receivable	20,000	20,000
Other receivables	(1,129)	17,531
Other assets	(10,846)	-
Increase (decrease) in:		
Accounts payable	55,257	(6,045)
Grants payable	(86,995)	91,495
Interest payable	6,269	(2,700)
	<u>639,089</u>	<u>483,478</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(8,975)	-
Purchase of investments	(208,807)	(248,038)
Proceeds from sales of investments	80,781	140,011
	<u>(137,001)</u>	<u>(108,027)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) decrease in loans receivable	(21,106)	(213,900)
Increase (decrease) in loans payable - investors	21,106	203,900
	<u>-</u>	<u>(10,000)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	502,088	365,451
<b>CASH AT BEGINNING OF YEAR</b>	<u>615,583</u>	<u>250,132</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,117,671</u>	<u>\$ 615,583</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	<u>\$ 31,620</u>	<u>\$ 23,251</u>

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

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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 (FASB) in ASC 958-205, *Not-For-Profit-Entities – Presentation of Financial Statements* (formerly SFAS No. 117). Under ASC 958-205, 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, 2010, the Organization had \$417,166 of temporarily restricted net assets and \$47,000 of permanently restricted net assets. At December 31, 2009 the Organization had no temporarily restricted net assets and \$47,000 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 and Cash Equivalents

For purposes of the financial statement presentation, cash and cash equivalents include all demand accounts.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a cost of more than \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

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. Loans receivable 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.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization values pledges receivable (unconditional promises to give) at their value as of the pledge date. Pledges receivable for the year ended December 31, 2010 were receivable from one donor. Of the \$40,000 total receivable, \$20,000 is receivable within one year and the remaining \$20,000 is receivable within two years. No allowance for uncollectible promises receivable is maintained, as all promises are deemed to be collectible due to past donation history from the current pledge.

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.

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 May 31, 2011. FASB ASC 740-10-50, *Income Taxes* (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*) 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 2007 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2 – INVESTMENTS

Investments held by the Organization consisted of the following as of December 31, 2010:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 156,711	\$ 156,723	\$ 12
Mutual funds	48,708	60,599	11,891
Securities	1,020	1,020	-
Investment in Fonkoze SA	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Balance, December 31, 2010	<u>\$ 306,439</u>	<u>\$ 318,342</u>	11,903
Balance, December 31, 2009	<u>\$ 179,105</u>	<u>\$ 186,954</u>	<u>7,849</u>
Unrealized gain on investments			<u>\$ 4,054</u>

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>

The investments in money market funds and mutual funds include unrestricted investments as well as investments held in an Endowment account. See Note 7 for a full description of the Organization’s Endowment account.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2 – INVESTMENTS (CONTINUED)

**Fair Value Measurements**

Fair value of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	Fair value	<u>Fair Value Measurements at Reporting Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2010</u>				
Available-for-sale securities	\$ 100,000	\$ -	\$ 100,000	\$ -
Trading securities	218,342	218,342	-	-
Total	<u>\$ 318,342</u>	<u>\$ 218,342</u>	<u>\$ 100,000</u>	<u>\$ -</u>
<u>December 31, 2009</u>				
Available-for-sale securities	\$ 100,000	\$ -	\$ 100,000	\$ -
Trading securities	86,954	86,954	-	-
Total	<u>\$ 186,954</u>	<u>\$ 86,954</u>	<u>\$ 100,000</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value for the investment in Fonkoze SA is determined by the current market price of shares recently sold to active investors.

NOTE 3 – UNINSURED CASH BALANCES

There is no deposit insurance for accounts held in Haitian banks. The Organization had a deposit account in a Haitian financial institution (Sevis Finansye Fonkoze) with a balance of \$19,797 and \$11,806 at December 31, 2010 and 2009, respectively. The Organization had deposit accounts at CNB Bank, Newark, New Jersey whose balances were fully insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2010 and 2009.

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 twelve board members is common to the Organization and Fondasyon Kole Zepól. For the years ended December 31, 2010 and 2009, grants in the amount of \$3,290,247 and \$1,494,224, respectively, were made to Fondasyon Kole Zepól. At December 31, 2010 and 2009, loans receivable from Fondasyon Kole Zepól were \$2,150,256 and \$2,129,150, respectively. Interest income from loans to Fondasyon Kole Zepól was \$60,756 and \$49,668, respectively, for the years ended December 31, 2010 and 2009. Interest receivable from Fondasyon Kole Zepól at December 31, 2010 and 2009 was \$6,744 and \$1,765, respectively. The Organization owed Fondasyon Kole Zepól \$13,907 and \$4,602 at December 31, 2010 and 2009, respectively for various expense reimbursements.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5 – LEASE

The Organization occupies office space in Washington, DC. The rental payments for their office from January through July 2010 were made under lease terms that were in force on a month-to-month basis. Rent expense under this lease for the years ended December 31, 2010 and 2009, was \$3,994 and \$6,440, respectively.

During July 2010, the Organization signed a 5 year lease and moved to a new office. Rent obligations under the new lease are:

<u>Period</u>	<u>Annual Rent</u>
August 2010 – July 2011	\$ 62,500
August 2011 – July 2012	64,531
August 2012 – July 2013	66,629
August 2013 – July 2014	68,794
August 2014 – July 2015	<u>71,030</u>
Total	<u>\$ 333,484</u>

Rent expense under this lease for the year ended December 31, 2010 was \$26,042.

NOTE 6 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$653,100 and \$456,100, current portion, and \$1,522,156 and \$1,698,050, long-term portion, as of December 31, 2010 and 2009, 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 \$37,889 and \$20,551 for the years ended December 31, 2010 and 2009, respectively.

Maturity on the loans is as follows:

2011	\$	671,290
2012		919,789
2013		169,306
2014		289,871
2015 and after		<u>125,000</u>
Total		2,175,256
Less: current portion		<u>671,290</u>
Loans Payable – Investors – Long-term		<u>\$ 1,503,966</u>

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

Note 7 – Endowment

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 Organization’s Endowment Fund consists of investments that have been acquired with some donor-restricted contributions, as well as some board restricted contributions. The original value of donor-restricted endowment contributions are presented as permanently restricted net assets in the financial statements and consist of the following:

Donor-Restricted Contributions for 2008	\$ 22,000
Donor-Restricted Contributions for 2009	<u>25,000</u>
 Total Donor-Restricted Endowment Contributions	 <u>\$ 47,000</u>

The remaining balance of the Endowment account (\$155,924 and \$25,610 at December 31, 2010 and 2009, respectively) is presented as unrestricted-board designated net assets in the financial statements. The activity in the Endowment account for the years ending December 31, 2010 and 2009 was as follows:

FMV Balance at January 1, 2009	\$ 58,087
Investment Income	1,245
Contributions	4,000
Withdrawals	-
Net Appreciation	<u>9,278</u>
FMV Balance at December 31, 2009	\$ 72,610
Investment Income	1,356
Contributions	125,000
Withdrawals	-
Net Appreciation	<u>3,958</u>
FMV Balance at December 31, 2010	<u>\$ 202,924</u>

The Organization’s investment policy states the following Endowment objectives:

- A. To protect the donated assets and preserve their purchasing power over time
- B. To provide a reasonable rate of return to support Fonkoze USA
- C. To achieve maximum prudent total return without regard to whether that return consists of interest and dividends or realized and unrealized capital gain
- D. The Investment Committee may honor requests from endowment donors to set aside the above objectives in order to invest their gift(s) directly in the work of Fonkoze Haiti

The policy further states that endowment income will be transferred annually to the Operations Account of Fonkoze USA, initially. When endowment income reaches \$10,000 or more a year, it will be transferred to the Operations Account quarterly. Endowment income includes actual income (interest and dividends) and attributed income (5% of the market value of investable assets in the endowment account on January 1 of each year). The Organization has not complied with this section of the policy as no transfers have ever been made from the Endowment Account to the Operations Account. A new policy is under consideration.

The Board of Directors has currently not considered the State Prudent Management of Institutional Funds Act (SPMIFA).

The Organization balances investment risk by diversifying among bonds and stocks, large and small cap, domestic and foreign, with no-load mutual funds purchased through a mutual fund supermarket, Charles Schwab.

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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 Statements 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 May 31, 2011, the date this report becomes available for issue.

NOTE 10 – RESTATED REPORT

Subsequent to the date of the original report for the years ended December 31, 2009 and 2008 dated June 30, 2010, management discovered errors in the classifications of functional expenses. The 2009 financial statements included herein have been restated to correct these errors. The total change in net assets was not affected by these errors.