

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, 2008 AND 2007



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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 statements of financial position of Fondasyon Kole Zepòl (Fonkoze) (a not-for-profit organization) as of December 31, 2008 and 2007 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, 2008 and 2007 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
September 2, 2009



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FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

		<u>2008</u>		<u>2007</u>
ASSETS				
CASH AND CASH EQUIVALENTS	HTG	52,849,945	HTG	29,129,960
INVESTMENTS		45,126,594		33,053,917
ACCOUNTS RECEIVABLE		71,949,707		33,915,686
LOANS		156,650,545		126,708,337
Less allowance for loan losses		21,813,523		4,422,100
Net loans		<u>134,837,022</u>		<u>122,286,237</u>
FIXED ASSETS		48,182,596		34,911,940
Accumulated depreciation		21,465,105		13,717,722
Fixed assets, net		<u>26,717,491</u>		<u>21,194,218</u>
OTHER ASSETS		<u>5,453,121</u>		<u>3,733,580</u>
TOTAL ASSETS	HTG	<u><u>336,933,880</u></u>	HTG	<u><u>243,313,598</u></u>
LIABILITIES AND NET ASSETS				
DEPOSITS	HTG	134,726,312	HTG	98,078,010
BANK OVERDRAFTS		35,711,048		50,405,270
NOTES PAYABLE				
Current portion		36,573,279		13,803,174
Long-term portion		55,440,994		72,875,242
DEFERRED REVENUE - HURRICANE RECOVERY GRANTS		28,359,382		-
OTHER LIABILITIES		<u>22,814,627</u>		<u>2,916,403</u>
TOTAL LIABILITIES		313,625,642		238,078,099
NET ASSETS				
Unrestricted		(74,586,835)		(33,100,188)
Temporarily restricted net assets		89,900,431		34,320,217
Permanently restricted net assets		<u>7,994,642</u>		<u>4,015,470</u>
TOTAL NET ASSETS		<u>23,308,238</u>		<u>5,235,499</u>
TOTAL LIABILITIES AND NET ASSETS	HTG	<u><u>336,933,880</u></u>	HTG	<u><u>243,313,598</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
INTEREST INCOME		
Loans	HTG 38,440,558	HTG 56,696,016
Other	<u>1,072,257</u>	<u>866,170</u>
TOTAL INTEREST INCOME	39,512,815	57,562,186
INTEREST EXPENSES		
Debt	11,422,142	14,564,506
Deposits	<u>1,927,758</u>	<u>1,519,028</u>
NET INTEREST INCOME	26,162,915	41,478,652
Provision for loan losses, net of recoveries of loans previously written off	<u>25,627,339</u>	<u>11,041,284</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	535,576	30,437,368
OTHER INCOME (EXPENSE)		
Donations	7,377,455	16,485,855
Gain (loss) due to exchange rate fluctuations	(5,278,426)	936,103
Foreign exchange gain	8,314,225	5,771,234
Membership dues	2,073,909	2,436,514
Loss on investment in subsidiary	(5,407,148)	(634,394)
Other	<u>7,370,851</u>	<u>3,167,644</u>
NET INTEREST INCOME AND OTHER INCOME	14,986,442	58,600,324
NET ASSETS RELEASED FROM RESTRICTIONS	146,513,498	41,397,106
OPERATING EXPENSES		
Salaries and other employee benefits	90,241,203	70,303,845
Rent	4,166,347	3,172,656
Other premises and equipment expenses	11,875,026	8,955,299
Depreciation	8,875,286	6,852,836
Other expenses	<u>36,069,099</u>	<u>42,237,400</u>
TOTAL OPERATING EXPENSE	151,226,961	131,522,036
NON-OPERATING EXPENSES		
Hurricane recovery grant	44,984,000	-
Management fees - hurricane recovery grant	<u>6,775,626</u>	<u>-</u>
TOTAL NON-OPERATING EXPENSES	51,759,626	-
CHANGE IN UNRESTRICTED NET ASSETS	(41,486,647)	(114,318,818)
TEMPORARILY RESTRICTED NET ASSETS		
Grant revenue	202,093,712	62,727,292
NET ASSETS RELEASED FROM RESTRICTIONS	146,513,498	(41,077,106)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	55,580,214	21,650,186
PERMANENTLY RESTRICTED NET ASSETS		
Capital grant contribution	3,979,172	367,844
NET ASSETS RELEASED FROM RESTRICTIONS	-	(320,000)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	3,979,172	47,844
CHANGE IN NET ASSETS	18,072,739	(9,826,576)
NET ASSETS AT BEGINNING OF YEAR	<u>5,235,499</u>	<u>15,062,075</u>
NET ASSETS AT END OF YEAR	HTG <u><u>23,308,238</u></u>	HTG <u><u>5,235,499</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, 2008 AND 2007

		<u>2008</u>		<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (decrease) in net assets	HTG	18,072,739	HTG	(9,826,576)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		8,875,286		6,852,836
Loss on investment in subsidiary		5,407,148		634,394
Increase (decrease) in allowance for loan losses		17,391,423		(2,213,057)
(Increase) decrease in:				
Accounts receivable		(38,034,021)		(5,031,940)
Other assets		(1,719,541)		(1,017,480)
Increase (decrease) in:				
Other liabilities		19,898,224		(11,497,114)
Bank overdrafts		(14,694,222)		4,050,957
Deferred revenue - hurricane recovery grants		28,359,382		-
Accrued interest payable		987,444		352,819
		<u>44,543,862</u>		<u>(17,695,161)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of fixed assets		1,380,184		1,640,918
Purchase of fixed assets		(15,778,743)		(11,601,274)
Sale of investments		-		-
Purchase of investments		(17,479,825)		(21,489,927)
Increase (decrease) in loans		(29,942,208)		32,878,972
		<u>(61,820,592)</u>		<u>1,428,689</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES				
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		8,550,563		31,950,935
Payments on debt		(4,202,150)		(15,958,551)
Increase (decrease) in deposits		36,648,302		10,821,352
		<u>40,996,715</u>		<u>26,813,736</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES				
NET INCREASE (DECREASE) IN CASH				
		23,719,985		10,547,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		<u>29,129,960</u>		<u>18,582,696</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	HTG	<u><u>52,849,945</u></u>	HTG	<u><u>29,129,960</u></u>
SUPPLEMENTAL DISCLOSURES				
Cash paid during the year for interest	HTG	<u><u>12,362,456</u></u>	HTG	<u><u>15,730,715</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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 in Haiti through Fonkoze and other entities.

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, 2008 and 2007.

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, 2008 AND 2007

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. Substandard loans are those for which payments are past due more than 30 days. The Organization discontinues accruing interest when a loan is 30 days past due. Doubtful/lost loans are those for which payments are past due more than 180 days. Doubtful/lost loans are classified as impaired.

Borrower groups are required to maintain deposit accounts equal to fifteen percent of their original loan amount until the loan is paid in full. These deposits can be used to reimburse the Organization in the case of default.

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.

Specific rates of provisions applied to past due loans to market women and small enterprises, following the reduction of the past due amount by the 15% collateral, 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%

FONDASYON KOLE ZEPÒL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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

Loans (Continued)

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.

During 2008, the Organization restructured loans for victims of hurricanes that struck Haiti during the year (Kredi Siklon). These loans provided additional funds which were combined with the customer's existing balance. Repayment of the loans is interest free if the principle is paid in full within six months of receipt of the new money.

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, 2008 and 2007 was 39.1070 and 36.8614 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, 2008 and 2007 was 39.8176 and 36.7844 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.

The Organization has elected to defer implementation of FIN 48, Accounting for Uncertainty in Income Taxes, under guidance issued in FASB Staff Position FIN 48-3. Additionally, the Organization is not aware of any uncertain tax positions that may affect the financial statements.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Currency held in branch offices	HTG 16,917,813	HTG 8,217,115
Deposits held in U.S. banks	11,631,356	6,059,900
Deposits held in Haitian banks	13,298,266	5,827,429
Deposits held in Sèvis Finansye Fonkoze	<u>11,002,510</u>	<u>9,025,516</u>
 Total	 <u>HTG 52,849,945</u>	 <u>HTG 29,129,960</u>
 Currency in U.S. dollars	 HTG 4,438,448	 HTG 2,630,599
Currency in Haitian gourdes	12,479,365	5,586,516
Deposits in U.S. dollars	19,753,843	15,752,685
Deposits in Haitian gourdes	<u>16,178,289</u>	<u>5,160,160</u>
 Total	 <u>HTG 52,849,945</u>	 <u>HTG 29,129,960</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 3,667,836 and HTG 2,383,960 for the years ended December 31, 2008 and 2007, respectively.

For the year ended December 31, 2008 deposits of HTG 17,519,744 secure the bank overdraft at Unibank.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE C – INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2008</u>		<u>2007</u>	
Fonkoze USA Trust				
Self Help Credit Union Deposit	HTG	12,139,551	HTG	10,689,968
Fonkoze SA		24,568,259		15,007,069
Unibank Time Deposit		<u>8,418,784</u>		<u>7,356,880</u>
 Total	 <u>HTG</u>	 <u>45,126,594</u>	 <u>HTG</u>	 <u>33,053,917</u>

The investment in Fonkoze SA represents a 48.03% 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 6,644,614 to record 48.03% of Fonkoze SA's change in equity for 2008. Fonkoze SA's liabilities exceed their assets by HTG 48,685,622 at December 31, 2008; therefore, the Organization's carrying value at December 31, 2008 exceeds its portion of Fonkoze SA's underlying assets by HTG 24,531,521. The adjustment for change in equity is 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, 2008 and 2007, amounts held in U.S. bank accounts exceeded the required amount and the Organization was in compliance with the above condition.

Fair Value Measurements

Fair value of assets and liabilities measured on a recurring basis at December 31, 2008 and 2007 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair value</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, 2008</u>				
Available-for-sale securities	<u>HTG 45,126,594</u>	<u>HTG 20,558,335</u>	<u>-</u>	<u>HTG 24,568,259</u>
 <u>December 31, 2007</u>				
Available-for-sale securities	<u>HTG 33,053,917</u>	<u>HTG 18,046,848</u>	<u>-</u>	<u>HTG 15,007,069</u>

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE C – INVESTMENTS (CONTINUED)

Available-for-sale securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

January 1, 2007	HTG	-
Additional Investment		15,641,463
Total gains and losses – unrealized		
Included in earnings		(634,394)
Included in other comprehensive income		-
December 31, 2007		15,007,069
Additional Investment		14,968,338
Total gains and losses – unrealized		
Included in earnings		(5,407,148)
Included in other comprehensive income		-
December 31, 2008	<u>HTG</u>	<u>24,568,259</u>

NOTE D – RELATED PARTY RECEIVABLE

Accounts receivable includes HTG 6,685,976 receivable from Sèvis Finansye Fonkoze for the year ended December 31, 2007. 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.

NOTE E – LOANS

Loans consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Market vendor solidarity groups	HTG 81,192,722	HTG 126,708,337
Kredi Siklon	<u>75,457,823</u>	<u>-</u>
Total Loans	156,650,545	126,708,337
Less allowance for loan losses	<u>21,813,523</u>	<u>4,422,100</u>
Net Loans	<u>HTG 134,837,022</u>	<u>HTG 122,286,237</u>

The term of the loans was between three and twenty-four months until October 2007. It is now between three and six months. Interest rates varied between thirty-five and fifty-seven percent until October 2007. They are now fifty-seven percent, except, Kredi Siklon loans bear no interest.

Loans in the amount of HTG 9,003,248 and HTG 9,237,105 were written off for the years ended December 31, 2008 and 2007, respectively. Recoveries of loans previously written off were HTG 767,332 and HTG 194,164 for 2008 and 2007, respectively. For the years ended December 31, 2008 and 2007 the allowance was more than three percent using the CAMEL ratings. The reserve was 12.97% and 8.71% of the Market Vendor Solidarity Group loans for December 31, 2008 and 2007, respectively. The reserve was 20% of Kredi Siklon loans at December 31, 2008.

Impaired loans are those for which payments are more than 180 days past due. At December 31, 2008 and 2007, loans in the amounts of HTG 5,918,137 and HTG 768,467, respectively, were impaired. These loans have been valued at the fair market value of their collateral (15% compensating balance).

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE E – LOANS (CONTINUED)

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Accrued interest receivable on loans was HTG 1,935,333 and HTG 3,059,553 at December 31, 2008 and 2007, respectively.

Allowance for loan losses:

	<u>2008</u>		<u>2007</u>	
Balance, beginning of year	HTG	4,422,100	HTG	6,635,157
Provision for losses		10,528,786		11,041,284
Provision for loan losses – Kredi Siklon		15,098,553		-
Recoveries on loans		767,332		194,164
Less loans charged off		(9,003,248)		(9,237,105)
Provision for business development loans transferred to SFF		-		(4,211,400)
Balance, end of year	<u>HTG</u>	<u>21,813,523</u>	<u>HTG</u>	<u>4,422,100</u>

NOTE F – DEPOSITS

Deposits consist of the following at December 31:

	<u>2008</u>		<u>2007</u>	
Deposits in Haitian gourdes	HTG	100,665,473	HTG	78,369,979
Deposits in U.S. dollars		34,060,839		19,708,031
Total	<u>HTG</u>	<u>134,726,312</u>	<u>HTG</u>	<u>98,078,010</u>

Deposits bear interest at rates between zero and two percent.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE G – NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Payable to Fonkoze USA with interest at annual percentage rates from zero to three percent and maturities from January 1, 2009 to January 19, 2014	HTG 76,260,658	HTG 73,390,764
Payable to investors living abroad with interest at annual percentage rates from zero to four percent and maturities between December 24, 2008 and October 15, 2015	9,451,521	8,276,322
Payable to Habitat for Humanity with interest at an annual percentage rate of two and one-half percent. Due January 15, 2010.	<u>3,981,760</u>	<u>3,678,440</u>
Total Principal Payable	89,693,939	85,345,526
Accrued Interest	<u>2,320,334</u>	<u>1,332,890</u>
Total	<u>HTG 92,014,273</u>	<u>HTG 86,678,416</u>

Notes payable at December 31, 2008 will mature as follows:

2009	HTG 36,573,279
2010	21,306,398
2011	8,242,243
2012	21,501,504
2013	995,440
After 2013	<u>1,075,075</u>
TOTAL	<u>HTG 89,693,939</u>

NOTE H – OVERDRAFTS

Unibank has extended a line of credit in the amount of HTG 40,000,000 to the Organization. The Organization accesses this credit by overdrawing its deposit account. The line is for one year and is due on August 12, 2009. It currently bears interest at the rate of twenty percent. The interest rate for the twelve-month period ending November 24, 2008 was twenty-two and one-half percent. The unused portion of the line of credit was HTG 4,288,952 at December 31, 2008.

NOTE I – RELATED PARTY PAYABLE

Other liabilities include HTG 17,882,371 payable to Sèvis Finansye Fonkoze for the year ended December 31, 2008. This payable represents the summation of numerous intercompany transactions due to the transfer of assets and operations of several financial service branches transferred to Fonkoze SA.

FONDASYON KOLE ZEPÒL
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NOTES TO FINANCIAL STATEMENTS
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NOTE J – DEFERRED REVENUE – HURRICANE RECOVERY GRANTS

Deferred revenue represents the amount of interest received under the Kredi Siklon (Hurricane Credit) program to which the Organization’s rights are limited and therefore, will not be charged to revenue until the conditions are met to give the Organization full rights to the income.

Deferred revenue represents the amount of interest recovery funds from donors that will not be charged as revenue until the interest on the loans has accrued.

NOTE K – 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 1,036,253 and HTG 367,844 were forgiven in 2008 and 2007, respectively.

During 2000, USAID provided HTG 320,000 as a grant to the Organization to be used for Business Development Loans. The Business Development loan portfolio was sold to Sèvis Finansye Fonkoze during 2007 at book value. The grant from USAID was transferred with the sale.

NOTE L – TEMPORARILY RESTRICTED NET ASSETS

Net assets are 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 M – 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 N – COMMITMENTS

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

2009	HTG	3,176,416
2010		2,716,999
2011		2,174,759
2012		1,679,959
2013		1,003,310
TOTAL	<u>HTG</u>	<u>10,751,443</u>

NOTE O – FRAUD

Other operating expenses on the Statement of Activities includes losses in the amount of HTG 5,796,885 for the year ended December 31, 2007. These losses resulted from several cases of fraud that were discovered by management.

FONDASYON KOLE ZEPÒL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE P – HURRICANE RECOVERY GRANT

The Company received grants for hurricane recovery during 2008. Under the terms of the grants the funds must be loaned to hurricane victims. When the loans are repaid, part of the funds are restricted for use as an appropriate disaster risk mitigation facility to protect the institution and their clients against future disasters. The restricted amount is USD 1,000,000. (HTG 39,817,600 at the December 31, 2008 exchange rate).

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, 2008 and 2007 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
September 2, 2009



FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,327,301	\$ 791,911
INVESTMENTS	1,133,333	898,585
ACCOUNTS RECEIVABLE	1,806,982	922,013
LOANS	3,934,204	3,444,622
Less allowance for loan losses	547,836	120,217
Net loans	3,386,368	3,324,405
FIXED ASSETS	1,210,083	949,096
Accumulated depreciation	539,086	372,922
Fixed assets, net	670,997	576,174
OTHER ASSETS	136,952	101,499
TOTAL ASSETS	\$ 8,461,933	\$ 6,614,587
LIABILITIES AND NET ASSETS		
DEPOSITS	\$ 3,383,587	\$ 2,666,293
BANK OVERDRAFTS	896,866	1,370,289
NOTES PAYABLE		
Current portion	918,520	375,245
Long-term portion	1,392,374	1,981,145
DEFERRED REVENUE - HURRICANE RECOVERY GRANTS	712,233	-
OTHER LIABILITIES	572,978	79,285
TOTAL LIABILITIES	7,876,558	6,472,257
NET ASSETS		
Unrestricted	(1,873,213)	(899,842)
Temporarily restricted net assets	2,257,807	933,010
Permanently restricted net assets	200,781	109,162
TOTAL NET ASSETS	585,375	142,330
TOTAL LIABILITIES AND NET ASSETS	\$ 8,461,933	\$ 6,614,587

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