

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, 2007 AND 2006



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
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, 2007 and 2006 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, 2007 and 2006 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 15, 2008



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Richmond, KY 40476
www.craftnoble.com

FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

		<u>2007</u>		<u>2006</u>
ASSETS				
CASH AND CASH EQUIVALENTS	HTG	29,129,960	HTG	18,582,696
INVESTMENTS		33,053,917		12,198,384
ACCOUNTS RECEIVABLE		33,915,686		28,883,746
LOANS		126,708,337		159,587,309
Less allowance for loan losses		4,422,100		6,635,157
Net loans		<u>122,286,237</u>		<u>152,952,152</u>
FIXED ASSETS		34,911,940		26,700,327
Accumulated depreciation		13,717,722		8,613,629
Fixed assets, net		<u>21,194,218</u>		<u>18,086,698</u>
OTHER ASSETS		<u>3,733,580</u>		<u>2,716,100</u>
TOTAL ASSETS	HTG	<u><u>243,313,598</u></u>	HTG	<u><u>233,419,776</u></u>
LIABILITIES AND NET ASSETS				
DEPOSITS	HTG	98,078,010	HTG	87,256,658
BANK OVERDRAFTS		50,405,270		46,354,313
NOTES PAYABLE				
Current portion		13,803,174		21,291,597
Long-term portion		72,875,242		49,041,616
OTHER LIABILITIES		<u>2,916,403</u>		<u>14,413,517</u>
TOTAL LIABILITIES		238,078,099		218,357,701
NET ASSETS				
Unrestricted		(33,100,188)		(1,575,582)
Temporarily restricted net assets		34,320,217		12,670,031
Permanently restricted net assets		<u>4,015,470</u>		<u>3,967,626</u>
TOTAL NET ASSETS		<u>5,235,499</u>		<u>15,062,075</u>
TOTAL LIABILITIES AND NET ASSETS	HTG	<u><u>243,313,598</u></u>	HTG	<u><u>233,419,776</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS		
INTEREST INCOME		
Loans	HTG 56,696,016	HTG 42,941,124
Other	866,170	422,115
	<hr/>	<hr/>
TOTAL INTEREST INCOME	57,562,186	43,363,239
INTEREST EXPENSES		
Debt	14,564,506	7,921,272
Deposits	1,519,028	1,355,962
	<hr/>	<hr/>
NET INTEREST INCOME	41,478,652	34,086,005
Provision for loan losses, net of recoveries of loans previously written off	11,041,284	5,358,013
	<hr/>	<hr/>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	30,437,368	28,727,992
OTHER INCOME (EXPENSE)		
Donations	16,485,855	9,803,073
Gain (loss) due to exchange rate fluctuations	936,103	(2,187,646)
Foreign exchange gain	5,771,234	6,979,836
Membership dues	2,436,514	1,673,212
Loss on investment in subsidiary	(634,394)	-
Other	3,167,644	2,843,075
	<hr/>	<hr/>
NET INTEREST INCOME AND OTHER INCOME	58,600,324	47,839,542
NET ASSETS RELEASED FROM RESTRICTIONS	(41,397,106)	(28,188,287)
OPERATING EXPENSES		
Salaries and other employee benefits	70,303,845	42,555,730
Rent	3,172,656	1,585,216
Other premises and equipment expenses	8,955,299	6,316,775
Depreciation	6,852,836	4,735,271
Other expenses	42,237,400	29,573,020
	<hr/>	<hr/>
TOTAL OPERATING EXPENSE	131,522,036	84,766,012
CHANGE IN UNRESTRICTED NET ASSETS	(31,524,606)	(8,738,183)
TEMPORARILY RESTRICTED NET ASSETS		
Grant revenue	62,727,292	40,858,318
NET ASSETS RELEASED FROM RESTRICTIONS	(41,077,106)	(28,188,287)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	21,650,186	12,670,031
PERMANENTLY RESTRICTED NET ASSETS		
Capital grant contribution	367,844	225,548
NET ASSETS RELEASED FROM RESTRICTIONS	(320,000)	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	47,844	-
CHANGE IN NET ASSETS	(9,826,576)	4,157,396
NET ASSETS AT BEGINNING OF YEAR	<hr/> 15,062,075	<hr/> 10,904,679
NET ASSETS AT END OF YEAR	HTG <u>5,235,499</u>	HTG <u>15,062,075</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	HTG (9,826,576)	HTG 4,157,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,852,836	4,735,271
Loss on investment in subsidiary	634,394	-
Provision for loan losses, net of recoveries of loans previously written off	11,041,284	5,358,013
(Increase) decrease in:		
Accounts receivable	(5,031,940)	24,583,776
Loans	19,624,631	(53,649,889)
Other assets	(1,017,480)	(230,729)
Increase (decrease) in:		
Deposits	10,821,352	22,430,498
Other liabilities	(11,497,114)	(6,276,845)
Bank overdrafts	4,050,957	41,980,536
Accrued interest payable	<u>352,819</u>	<u>491,251</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	26,005,163	43,579,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of fixed assets	1,640,918	-
Purchase of fixed assets	(11,601,274)	(12,056,047)
Sale of investments	-	3,339,811
Purchase of investments	<u>(21,489,927)</u>	<u>(7,518,280)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(31,450,283)	(16,234,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	31,950,935	27,378,989
Payments on debt	<u>(15,958,551)</u>	<u>(52,374,599)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	15,992,384	(24,995,610)
NET INCREASE (DECREASE) IN CASH	10,547,264	2,349,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,582,696</u>	<u>16,233,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	HTG <u><u>29,129,960</u></u>	HTG <u><u>18,582,696</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	HTG <u><u>15,730,715</u></u>	HTG <u><u>8,785,983</u></u>

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

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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, 2007 and 2006.

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
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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. 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.

The risks of loan losses for the loan portfolios managed by the Organization under agreements with the Federation des Associations Cafeieres Natives (FACN) and the United States Agency for International Development (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 vendor 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.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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, 2007 and 2006 was 36.8614 and 40.4085 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, 2007 and 2006 was 36.7844 and 37.5914 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, 2007 consisted of the following:

Currency held in branch offices	HTG	8,217,115
Deposits held in U.S. banks		6,059,900
Deposits held in Haitian banks		5,827,429
Deposits held in Sèvis Finansye Fonkoze		<u>9,025,516</u>
Total	<u>HTG</u>	<u>29,129,960</u>
Currency in U.S. dollars	HTG	2,630,599
Currency in Haitian gourdes		5,586,516
Deposits in U.S. dollars		15,752,685
Deposits in Haitian gourdes		<u>5,160,160</u>
Total	<u>HTG</u>	<u>29,129,960</u>

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

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	 <u>HTG</u>	 <u>18,582,696</u>
 Currency in U.S. dollars		 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	 <u>HTG</u>	 <u>18,582,696</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 2,383,960 and HTG 1,045,316 for the years ended December 31, 2007 and 2006, respectively.

NOTE C – INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2007</u>	<u>2006</u>
Fonkoze USA Trust		
Self Help Credit Union Deposit	HTG 10,689,968	HTG 4,680,104
Fonkoze SA	15,007,069	-
Unibank Time Deposit	<u>7,356,880</u>	<u>7,518,280</u>
 Total	 <u>HTG 33,053,917</u>	 <u>HTG 12,198,384</u>

The investment in Fonkoze SA represents a 44.43% 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 634,394 to record 44.43% of Fonkoze SA's change in equity for 2007. Fonkoze SA's liabilities exceed their assets by HTG 50,401,966 at December 31, 2007, therefore, the Organization's carrying value at December 31, 2007 exceeds its portion of Fonkoze SA's underlying assets by HTG 15,007,069. The adjustment for change in equity is based on audited financial statements.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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, 2007, 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 6,685,976 and HTG 6,593,266 receivable from Sèvis Finansye Fonkoze for the years ended December 31, 2007 and 2006, 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>2007</u>	<u>2006</u>
Market vendor solidarity groups	HTG 126,708,337	HTG 96,038,016
Business development	-	<u>63,549,293</u>
Total Loans	126,708,337	159,587,309
Less allowance for loan losses	<u>4,422,100</u>	<u>6,635,157</u>
Net Loans	<u>HTG 122,286,237</u>	<u>HTG 152,952,152</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, 2006 were guaranteed (Note A). No loans were guaranteed at December 31, 2007.

Loans in the amount of HTG 9,042,941 and HTG 1,585,494 were written off for the years ended December 31, 2007 and 2006, respectively. Recoveries of loans previously written off were HTG 194,164 for 2007. None were recovered in 2006. For the years ended December 31, 2007 and 2006 the allowance was more than three percent using the CAMEL ratings.

Allowance for loan losses consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Allowance – beginning of year	HTG 6,635,157	HTG 2,862,638
Provision, net of recoveries of loans previously written off	11,041,284	5,358,013
Loans written off	(9,042,941)	(1,585,494)
Provision for Business Development loans		
Transferred to SFF	(4,211,400)	-
Allowance – end of year	<u>HTG 4,422,100</u>	<u>HTG 6,635,157</u>

At December 31, 2007 and 2006, the total recorded investment in impaired loans, all of which had allowances of 100% were HTG 768,467 and HTG 649,323, respectively.

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE F – DEPOSITS

Deposits consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Deposits in Haitian gourdes	HTG 78,369,979	HTG 65,023,383
Deposits in U.S. dollars	<u>19,708,031</u>	<u>22,233,275</u>
Total	<u>HTG 98,078,010</u>	<u>HTG 87,256,658</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>2007</u>	<u>2006</u>
Payable to Fonkoze USA with interest at annual percentage rates from zero to three percent and maturities from January 1, 2008 to January 19, 2014	HTG 73,390,764	HTG 50,453,673
Payable to investors living abroad with interest at annual percentage rates from zero to four percent and maturities between January 25, 2008 and February 20, 2012	8,276,322	7,622,613
Payable to Stitching Doen Foundation with interest at an annual percentage rate of eight percent. Due between February 1, 2007 and January 25, 2008	-	11,276,856
Payable to Habitat for Humanity with interest at an annual percentage rate of two and one-half percent. Due January 15, 2010.	<u>3,678,440</u>	<u>-</u>
Total Principal Payable	85,345,526	69,353,142
Accrued Interest	<u>1,332,890</u>	<u>980,071</u>
Total	<u>HTG 86,678,416</u>	<u>HTG 70,333,213</u>

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE G – NOTES PAYABLE (CONTINUED)

Notes payable at December 31, 2007 will mature as follows:

2008	HTG	13,803,174
2009		26,279,148
2010		17,822,042
2011		7,577,586
2012		18,943,966
After 2012		<u>919,610</u>
TOTAL	<u>HTG</u>	<u>85,345,526</u>

NOTE H – OVERDRAFTS

Unibank has extended a line of credit in the amount of HTG 50,000,000 to the Organization. The Organization accesses this credit by overdrawing its deposit account. The line is for one year and is due on November 24, 2008. It currently bears interest at the rate of twenty percent. The interest rate for the twelve-month period ending November 24, 2007 was twenty-two and one-half percent.

NOTE I – 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 367,844 and HTG 225,548 were forgiven in 2007 and 2006, 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 at December 31, 2006. The Business Development loan portfolio was sold to Sèvis Finansye Fonkoze during 2007 at book value.

NOTE J – 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 K – REPORTING UNDER FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT 117

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

NOTE L – COMMITMENTS

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

2008	HTG	981,517
2009		1,727,422
2010		2,482,377
2011		1,289,426
2012		<u>789,322</u>
TOTAL	<u>HTG</u>	<u>7,270,064</u>

FONDASYON KOLE ZEPÒL
FONKOZE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE M – RESTATED REPORT

Subsequent to the date of the original report for the years ended December 31, 2006 and 2005, dated August 17, 2007, management discovered an error in the classification of an overdraft bank account held with Unibank as a note payable. The 2006 financial statements and notes have been restated to correct this error.

NOTE N – 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.

NOTE O – SUBSEQUENT EVENTS

During the first two weeks of September 2008, hurricanes devastated large areas of Haiti causing extensive damages to property in the area of some branch offices of the Organization. Many of the Organization's customers and employees lost homes, personal property and business inventory. The loss to the Organization's loan portfolio has not been determined and cannot be accurately estimated. The Organization has experienced hurricane losses in the past and received relief from the United States Agency for International Development and other donor agencies. Management is currently in negotiations for such relief.

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, 2007 and 2006 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 15, 2008



FONDASYON KOLE ZEPÒL
FONKOZE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 791,911	\$ 494,334
INVESTMENTS	898,585	324,499
ACCOUNTS RECEIVABLE	922,013	768,360
LOANS	3,444,622	4,245,314
Less allowance for loan losses	120,217	176,507
Net loans	3,324,405	4,068,807
FIXED ASSETS	949,096	710,278
Accumulated depreciation	372,922	229,138
Fixed assets, net	576,174	481,140
OTHER ASSETS	101,499	72,253
TOTAL ASSETS	\$ 6,614,587	\$ 6,209,393
LIABILITIES AND NET ASSETS		
DEPOSITS	\$ 2,666,293	\$ 2,321,187
BANK OVERDRAFTS	1,370,289	1,233,110
NOTES PAYABLE		
Current portion	375,245	566,395
Long-term portion	1,981,145	1,304,596
OTHER LIABILITIES	79,285	383,426
TOTAL LIABILITIES	6,472,257	5,808,714
NET ASSETS		
Unrestricted	(899,842)	(41,913)
Temporarily restricted net assets	933,010	337,046
Permanently restricted net assets	109,162	105,546
TOTAL NET ASSETS	142,330	400,679
TOTAL LIABILITIES AND NET ASSETS	\$ 6,614,587	\$ 6,209,393

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