

FONKOZE USA, INC.  
WASHINGTON, DC

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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  
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, 2008 and 2007 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, 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  
July 21, 2009



FONKOZE USA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 250,132	\$ 274,199
Interest receivable	36,906	21,787
Loans receivable - current portion	765,150	237,600
Prepaid expenses	4,094	1,952
Grants receivable	19,326	-
Pledges receivable	20,000	-
Other receivables	18,402	6,652
	1,114,010	542,190
<b>PROPERTY AND EQUIPMENT</b>		
Software	7,941	7,941
Less: Accumulated Depreciation	(2,868)	(221)
	5,073	7,720
<b>INVESTMENTS</b>		
	68,652	71,373
<b>GRANTS RECEIVABLE</b>		
	60,000	-
<b>LOANS RECEIVABLE - less current portion</b>		
	1,150,100	1,762,560
<b>TOTAL ASSETS</b>	<b>\$ 2,397,835</b>	<b>\$ 2,383,843</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,557	\$ 17,841
Grants payable	-	77,739
Interest payable	2,700	-
Loans payable - investors, current portion	802,150	252,600
	816,407	348,180
<b>LOANS PAYABLE - INVESTORS, less current portion</b>		
	1,148,100	1,777,560
<b>TOTAL LIABILITIES</b>	1,964,507	2,125,740
<b>NET ASSETS</b>		
Unrestricted	274,094	177,522
Unrestricted - Board designated	58,087	58,777
Temporarily restricted	79,147	21,804
Permanently restricted	22,000	-
	433,328	258,103
<b>TOTAL NET ASSETS</b>	433,328	258,103
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,397,835</b>	<b>\$ 2,383,843</b>

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

FONKOZE USA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Contributions and grants	\$ 504,971	\$ 1,048,620	\$ 22,000	\$ 474,374	\$ 391,814	\$ 866,188
Conference fees	24,851	-	-	-	-	-
Interest and dividend income	54,027	-	-	47,802	-	47,802
Delegation income	22,300	-	-	10,490	-	10,490
Realized gain (loss) on investments	1,476	-	-	(2,328)	-	(2,328)
Unrealized gain (loss) on investments	(23,269)	-	-	3,958	-	3,958
Other income	2,038	-	-	1	-	1
Net assets released from restrictions:						
Satisfaction of program restrictions	991,277	(991,277)	-	370,010	(370,010)	-
<b>TOTAL REVENUES</b>	<u>1,577,671</u>	<u>57,343</u>	<u>22,000</u>	<u>904,307</u>	<u>21,804</u>	<u>926,111</u>
<b>EXPENSES</b>						
<b>PROGRAM SERVICES:</b>						
Grants to Fondasyon Kole Zepól	928,269	-	-	425,436	-	425,436
Grants to development partners	89,090	-	-	63,948	-	63,948
Education	127,277	-	-	167,498	-	167,498
Other Program Expenses	50,633	-	-	18,466	-	18,466
<b>TOTAL PROGRAM SERVICES</b>	<u>1,195,269</u>	<u>-</u>	<u>-</u>	<u>675,348</u>	<u>-</u>	<u>675,348</u>
<b>SUPPORTING SERVICES</b>						
Fundraising	110,029	-	-	142,870	-	142,870
Administration	176,491	-	-	86,222	-	86,222
<b>TOTAL SUPPORTING SERVICES</b>	<u>286,520</u>	<u>-</u>	<u>-</u>	<u>229,092</u>	<u>-</u>	<u>229,092</u>
<b>TOTAL EXPENSES</b>	<u>1,481,789</u>	<u>-</u>	<u>-</u>	<u>904,440</u>	<u>-</u>	<u>904,440</u>
<b>CHANGE IN NET ASSETS</b>	<u>95,882</u>	<u>57,343</u>	<u>22,000</u>	<u>(133)</u>	<u>21,804</u>	<u>21,671</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>236,299</u>	<u>21,804</u>	<u>-</u>	<u>236,432</u>	<u>-</u>	<u>236,432</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 332,181</u>	<u>\$ 79,147</u>	<u>\$ 22,000</u>	<u>\$ 236,299</u>	<u>\$ 21,804</u>	<u>\$ 258,103</u>

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
<b>TOTAL</b>	<b>\$ 1,017,359</b>	<b>\$ 127,277</b>	<b>\$ 50,633</b>	<b>\$ 110,029</b>	<b>\$ 176,491</b>	<b>\$ 1,481,789</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, 2007

	Other Program Expenses					Total
	Grants	Education	Other Program Expenses	Fundraising	Administration	
Grants to Fonkoze Haiti	\$ 425,436	\$ -	\$ -	\$ -	\$ -	\$ 425,436
Grants to A Izmerly	39,350	-	-	-	-	39,350
Grants to Peasant Association of Fondwa	440	-	-	-	-	440
Grants to Haitian Health Allies	19,566	-	-	-	-	19,566
Grants to NaSonje	3,868	-	-	-	-	3,868
Other grants	85	-	-	-	-	85
Advertising	-	-	-	-	850	850
Delegations to Haiti	-	10,103	-	-	-	10,103
Depreciation	-	-	-	-	221	221
Dues and subscriptions	-	-	-	-	1,490	1,490
Technology	-	74	-	74	73	221
Board meetings	-	3,933	-	3,933	3,932	11,798
Postage and delivery	-	24,258	2,348	10,686	9,010	46,302
Printing	-	40,032	-	24,161	518	64,711
Supplies	-	2,192	-	2,192	2,190	6,574
Telephone	-	1,231	-	1,231	1,231	3,693
Travel	-	8,750	-	7,500	8,750	25,000
Bank charges	-	-	-	-	674	674
Interest expense	-	-	16,118	-	-	16,118
Insurance	-	2,156	-	3,621	3,387	9,164
Licenses and permits	-	-	-	2,453	2,453	4,906
List exchange fees	-	-	-	4,936	-	4,936
Professional services	-	-	-	-	9,795	9,795
Rent	-	2,707	-	2,707	3,181	8,595
Amos fund expenses	639	-	-	-	-	639
Miscellaneous	-	-	-	-	5,176	5,176
Moving costs	-	-	-	-	7,865	7,865
Salaries	-	49,628	-	70,896	21,269	141,793
Payroll taxes and fees	-	4,544	-	6,492	1,948	12,984
Contract labor	-	17,890	-	1,988	2,209	22,087
<b>TOTAL</b>	<b>\$ 489,384</b>	<b>\$ 167,498</b>	<b>\$ 18,466</b>	<b>\$ 142,870</b>	<b>\$ 86,222</b>	<b>\$ 904,440</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 175,225	\$ 21,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,647	221
Realized (gain) loss on investments	(1,476)	2,328
Unrealized (gain) loss on investments	23,269	(3,958)
(Increase) decrease in:		
Interest receivable	(15,119)	4,285
Prepaid expenses	(2,142)	(131)
Grants receivable	(19,326)	-
Pledges receivable	(80,000)	-
Other receivables	(11,750)	(2,685)
Increase (decrease) in:		
Accounts payable	(6,284)	13,126
Grants payable	(77,739)	(90,312)
Interest payable	2,700	(10,403)
	<u>(9,995)</u>	<u>(65,858)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(7,941)
Purchase of investments	(57,273)	(47,169)
Proceeds from sales of investments	38,201	56,610
	<u>(19,072)</u>	<u>1,500</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) decrease in loans receivable	84,910	(658,000)
Increase (decrease) in loans payable - investors	(79,910)	648,000
	<u>5,000</u>	<u>(10,000)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
NET INCREASE (DECREASE) IN CASH	(24,067)	(74,358)
CASH AT BEGINNING OF YEAR	<u>274,199</u>	<u>348,557</u>
CASH AT END OF YEAR	<u>\$ 250,132</u>	<u>\$ 274,199</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	\$ 21,666	\$ 26,522

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

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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.

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, 2008 the Organization had \$79,147 of temporarily restricted net assets and \$22,000 of permanently restricted net assets. At December 31, 2007, the Organization had \$21,804 in temporarily restricted net assets and no 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, 2008 AND 2007

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. 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 financial statements.

NOTE 2 – INVESTMENTS

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>

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 2 – INVESTMENTS (CONTINUED)

Investments held by the Organization consisted of the following as of December 31, 2007:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 421	\$ 972	\$ 551
Mutual funds	47,152	53,814	6,662
Securities	<u>11,887</u>	<u>16,587</u>	<u>4,700</u>
Balance, December 31, 2007	<u>\$ 59,460</u>	<u>\$ 71,373</u>	11,913
Balance, December 31, 2006	<u>\$ 71,230</u>	<u>\$ 79,185</u>	<u>7,955</u>
Unrealized gain on investments			<u>\$ 3,958</u>

NOTE 3 – UNINSURED CASH BALANCES

At December 31, 2007, 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 \$163,927. At December 31, 2008, all deposit accounts were fully insured by the FDIC.

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 nineteen board members is common to the Organization and Fondasyon Kole Zepól. For the years ended December 31, 2008 and 2007, grants in the amount of \$928,269 and \$425,436, respectively, were made to Fondasyon Kole Zepól. At December 31, 2008 and 2007, loans receivable from Fondasyon Kole Zepól were \$1,915,250 and \$2,000,160, respectively. Interest income from loans to Fondasyon Kole Zepól was \$47,909 and \$44,279, respectively, for the years ended December 31, 2008 and 2007. Interest receivable from Fondasyon Kole Zepól at December 31, 2008 and 2007 was \$36,906 and \$21,787, respectively.

NOTE 5 – LEASE

The Organization occupied office space in New York, NY during part of the year ended December 31, 2007. In April 2007, the Organization moved their office to Washington, DC. The rental payments for both offices are made under lease terms that are in force on a month-to-month basis. Rent expense for the years ended December 31, 2008 and 2007, was \$5,511 and \$8,595, respectively.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 6 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$802,150 and \$252,600, current portion, and \$1,148,100 and \$1,777,560, long-term portion, as of December 31, 2008 and 2007, 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 January 2014. Interest expense on loans payable was \$24,367 and \$16,118 for the years ended December 31, 2008 and 2007, respectively.

Maturity on the loans is as follows:

2009	\$	802,150
2010		388,100
2011		215,000
2012		500,000
2013 and after		<u>45,000</u>
Total		1,950,250
Less: current portion		<u>802,150</u>
Loans Payable – Investors – Long-term	\$	<u><u>1,148,100</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, 2008 and 2007 was \$58,087 and \$58,777, 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 3 and 4 of this report.