

FONKOZE USA, INC.  
WASHINGTON, DC

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AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Fonkoze USA, Inc. (a not-for-profit organization) as of December 31, 2007 and 2006 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, 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 29, 2008



FONKOZE USA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 274,199	\$ 348,557
Interest receivable	21,787	26,072
Loans receivable - current portion	237,600	291,500
Prepaid expenses	1,952	1,821
Other receivables	<u>6,652</u>	<u>3,967</u>
<b>TOTAL CURRENT ASSETS</b>	<b>542,190</b>	<b>671,917</b>
<b>PROPERTY AND EQUIPMENT</b>		
Software	7,941	-
Less: Accumulated Depreciation	<u>(221)</u>	<u>-</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>7,720</b>	<b>-</b>
<b>INVESTMENTS</b>	<b>71,373</b>	<b>79,184</b>
<b>LOANS RECEIVABLE - less current portion</b>	<b><u>1,762,560</u></b>	<b><u>1,050,660</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,383,843</u></b>	<b><u>\$ 1,801,761</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,841	\$ 4,715
Grants payable	77,739	168,051
Interest payable	-	10,403
Loans payable - investors, current portion	<u>252,600</u>	<u>291,500</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>348,180</b>	<b>474,669</b>
<b>LOANS PAYABLE - INVESTORS, less current portion</b>	<b><u>1,777,560</u></b>	<b><u>1,090,660</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>2,125,740</u></b>	<b><u>1,565,329</u></b>
<b>NET ASSETS</b>		
Unrestricted	177,522	182,128
Unrestricted - Board designated	58,777	54,304
Temporarily Restricted	<u>21,804</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>258,103</u></b>	<b><u>236,432</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,383,843</u></b>	<b><u>\$ 1,801,761</u></b>

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

FONKOZE USA, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Contributions and grants	\$ 474,374	\$ 391,814	866,188	\$ 445,917	\$ 606,586	1,052,503
Conference fees	-	-	-	12,125	-	12,125
Interest and dividend income	47,802	-	47,802	34,398	-	34,398
In-kind contributions	-	-	-	16,165	-	16,165
Delegation income	10,490	-	10,490	12,650	-	12,650
Realized gain (loss) on investments	(2,328)	-	(2,328)	(760)	-	(760)
Unrealized gain (loss) on investments	3,958	-	3,958	4,128	-	4,128
Other income	1	-	1	1,115	-	1,115
Net assets released from restrictions:						
Satisfaction of program restrictions	370,010	(370,010)	-	606,586	(606,586)	-
<b>TOTAL REVENUES</b>	<b>904,307</b>	<b>21,804</b>	<b>926,111</b>	<b>1,132,324</b>	<b>-</b>	<b>1,132,324</b>
<b>EXPENSES</b>						
<b>PROGRAM SERVICES:</b>						
Grants to Fondasyon Kole Zepól	425,436	-	425,436	553,527	-	553,527
Grants to Visitation House	-	-	-	-	-	-
Grants to Peasant Association of Fondwa	440	-	440	13,160	-	13,160
Grants to Haitian Health Allies	19,566	-	19,566	18,385	-	18,385
Grants to A Izmary	39,350	-	39,350	40,600	-	40,600
Grants to NaSonje	3,868	-	3,868	12,154	-	12,154
Other grants	724	-	724	4,675	-	4,675
Education	167,498	-	167,498	130,849	-	130,849
Other Program Expenses	18,466	-	18,466	24,549	-	24,549
<b>TOTAL PROGRAM SERVICES</b>	<b>675,348</b>	<b>-</b>	<b>675,348</b>	<b>797,899</b>	<b>-</b>	<b>797,899</b>
<b>SUPPORTING SERVICES</b>						
Fundraising	142,870	-	142,870	169,784	-	169,784
Administration	86,222	-	86,222	92,468	-	92,468
<b>TOTAL SUPPORTING SERVICES</b>	<b>229,092</b>	<b>-</b>	<b>229,092</b>	<b>262,252</b>	<b>-</b>	<b>262,252</b>
<b>TOTAL EXPENSES</b>	<b>904,440</b>	<b>-</b>	<b>904,440</b>	<b>1,060,151</b>	<b>-</b>	<b>1,060,151</b>
<b>CHANGE IN NET ASSETS</b>	<b>(133)</b>	<b>21,804</b>	<b>21,671</b>	<b>72,173</b>	<b>-</b>	<b>72,173</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>236,432</b>	<b>-</b>	<b>236,432</b>	<b>164,259</b>	<b>-</b>	<b>164,259</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 236,299</b>	<b>\$ 21,804</b>	<b>\$ 258,103</b>	<b>\$ 236,432</b>	<b>\$ -</b>	<b>\$ 236,432</b>

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

FONKOZE USA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
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 Izmery	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.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2006

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Grants to Fonkoze Haiti	\$ 553,527	\$ -	\$ -	-	-	\$ 553,527
Grants to Visitation House	-	-	-	-	-	-
Grants to Peasant Association of Fondwa	13,160	-	-	-	-	13,160
Grants to Haitian Health Allies	18,385	-	-	-	-	18,385
Grants to A Izmyery	40,600	-	-	-	-	40,600
Grants to NaSonje	12,154	-	-	-	-	12,154
Other grants	-	-	-	-	-	-
Technology	-	-	-	1,545	4,922	6,467
Board meetings	-	2,943	-	2,943	2,942	8,828
Postage and delivery	-	10,367	-	12,791	3,723	26,881
Printing	-	37,071	-	26,802	8,412	72,285
Supplies	-	764	-	764	763	2,291
Telephone	-	667	-	668	668	2,003
Travel	-	1,750	-	22,813	1,750	26,313
Bank charges	-	-	-	-	104	104
Interest expense	-	-	24,549	-	-	24,549
Insurance	-	1,298	-	2,498	4,394	8,190
Professional services	-	5,452	-	23,184	7,500	36,136
Rent	-	4,417	-	4,417	5,188	14,022
Amos fund expenses	4,675	-	-	-	-	4,675
Miscellaneous	-	435	-	417	14,665	15,517
Salaries	-	33,132	-	63,750	33,132	130,014
Payroll taxes	-	3,124	-	6,011	3,124	12,259
Contract labor	-	1,181	-	1,181	1,181	3,543
Delegation expense	-	11,555	-	-	-	11,555
Conference expense	-	16,693	-	-	-	16,693
<b>TOTAL</b>	<b>\$ 642,501</b>	<b>\$ 130,849</b>	<b>\$ 24,549</b>	<b>\$ 169,784</b>	<b>\$ 92,468</b>	<b>\$ 1,060,151</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 21,671	\$ 72,173
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	221	-
Realized (gain) loss on investments	2,328	760
Unrealized (gain) loss on investments	(3,958)	(4,128)
(Increase) decrease in:		
Interest receivable	4,285	(19,002)
Prepaid expenses	(131)	(1,418)
Other receivables	(2,685)	(3,967)
Increase (decrease) in:		
Accounts payable	13,126	3,771
Grants payable	(90,312)	142,752
Interest payable	(10,403)	3,157
	<u>(65,858)</u>	<u>194,098</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of fixed assets	-	-
Purchase of fixed assets	(7,941)	-
Purchase of investments	(47,169)	(34,437)
Proceeds from sales of investments	56,610	95,660
	<u>1,500</u>	<u>61,223</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in loans receivable	(658,000)	(77,980)
Increase in loans payable - investors	648,000	47,980
	<u>(10,000)</u>	<u>(30,000)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
NET INCREASE (DECREASE) IN CASH	(74,358)	225,321
CASH AT BEGINNING OF YEAR	<u>348,557</u>	<u>123,236</u>
CASH AT END OF YEAR	<u>\$ 274,199</u>	<u>\$ 348,557</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	\$ 26,522	\$ 21,392

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

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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, 2007 the Organization had \$21,804 of temporarily restricted net assets and no permanently restricted net assets. At December 31, 2006, the Organization had no temporarily or 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, 2007 AND 2006

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 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.

NOTE 2 – INVESTMENTS

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 loss on investments			<u>\$ 3,958</u>

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 2 – INVESTMENTS (CONTINUED)

Investments held by the Organization consisted of the following as of December 31, 2006:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 421	\$ 421	\$ -
Mutual funds	30,868	32,989	2,121
Securities	<u>39,941</u>	<u>45,775</u>	<u>5,834</u>
Balance, December 31, 2006	<u>\$ 71,230</u>	<u>\$ 79,185</u>	7,955
Balance, December 31, 2005	<u>\$ 133,213</u>	<u>\$ 137,040</u>	<u>3,827</u>
Unrealized gain on investments			<u>\$ 4,128</u>

NOTE 3 – UNINSURED CASH BALANCES

At December 31, 2007 and 2006, the Organization had deposit accounts at CNB Bank, Newark, New Jersey whose balance exceeded the amount insured by the Federal Deposit Insurance Corporation by the amount of \$163,927 and \$233,251, respectively.

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, 2007 and 2006, grants in the amount of \$425,436 and \$553,527, respectively, were made to Fondasyon Kole Zepól. At December 31, 2007 and 2006, loans receivable from Fondasyon Kole Zepól were \$2,000,160 and \$1,342,160, respectively. Interest income from loans to Fondasyon Kole Zepól was \$44,279 and \$28,137, respectively, for the years ended December 31, 2007 and 2006. Interest receivable from Fondasyon Kole Zepól at December 31, 2007 and 2006 was \$21,787 and \$26,072, respectively.

NOTE 5 – DONATED SERVICES

The services of law firms have been donated to the Organization for various corporate matters for the year ended December 31, 2006 in the amount of \$16,165. For the year ended December 31, 2006, the value of the donated legal services has been reflected in the financial statements as in-kind contributions with related expense of \$16,165 recorded as professional fees (classified as fundraising). No services were donated for the year ended December 31, 2007.

NOTE 6 – LEASE

The Organization occupied office space in New York, NY during the entire year ended December 31, 2006 and 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, 2007 and 2006, was \$8,595 and \$13,250, respectively.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 7 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$252,600 and \$291,500, current portion, and \$1,777,560 and \$1,090,660, long-term portion, as of December 31, 2007 and 2006, 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 \$16,118 and \$24,549 for the years ended December 31, 2007 and 2006, respectively.

Maturity on the loans is as follows:

2008	\$	252,600
2009		701,560
2010		331,000
2011		215,000
2012 and after		<u>530,000</u>
Total		2,030,160
Less: current portion		<u>252,600</u>
Loans Payable – Investors – Long-term	\$	<u><u>1,777,560</u></u>

NOTE 8 – 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, 2007 and 2006 was \$58,777 and \$54,304, respectively.

NOTE 9 – 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 in the Additional Information section of this report.