



FONKOZE FAMILY 2009 ANNUAL REPORT



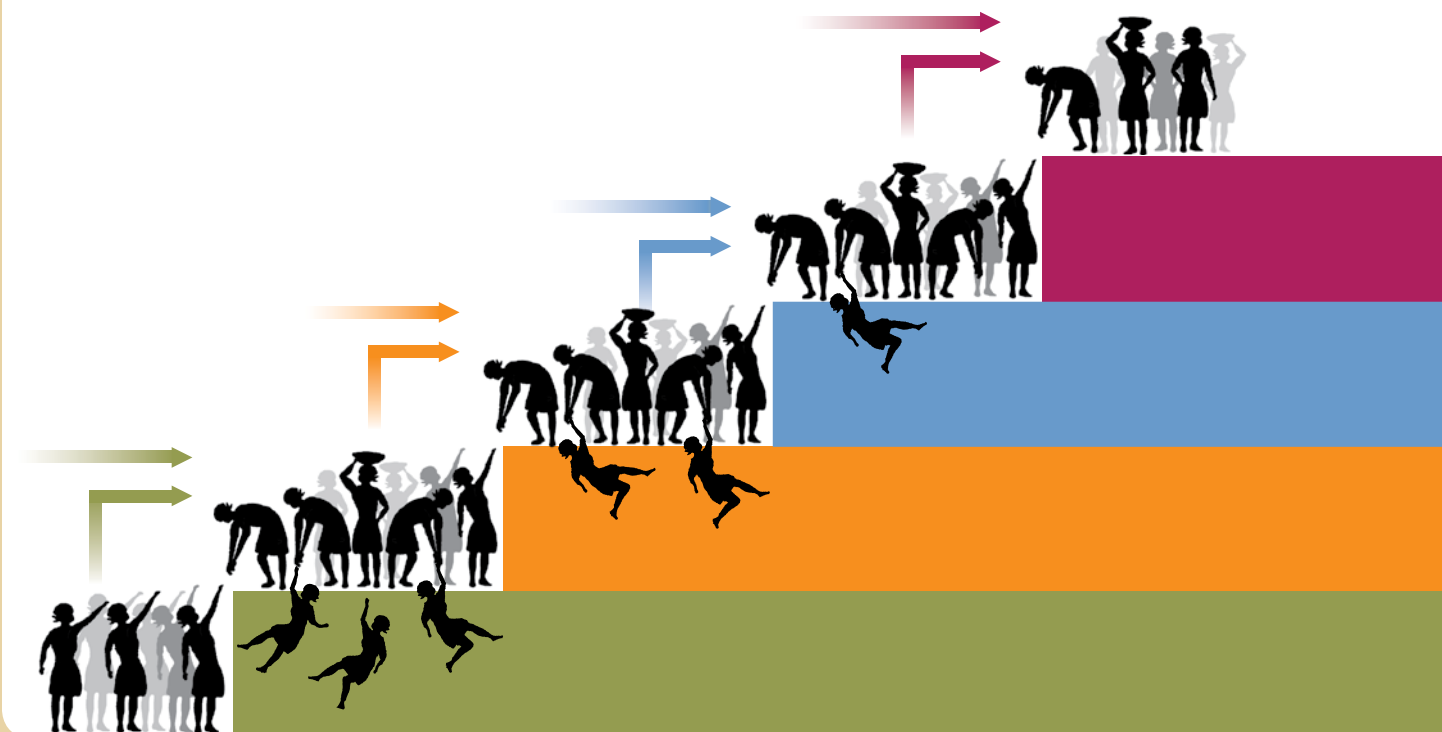
STAIRCASE TO A SECURE FUTURE

Climbing out of poverty one step at a time

THERE IS A STAIRCASE that will take you out of poverty in Haiti, but it is not easy to climb. Fonkoze attempts to meet its clients wherever they happen to be in their struggle out of poverty. Some clients are on the very first step or have not even found the confidence to step onto the staircase. Others are much further along and come into Fonkoze at higher steps on the staircase. Regardless of where our clients start, Fonkoze seeks to alleviate poverty by providing the tools needed to make the climb, and to keep from falling down when inevitable disaster strikes. Fonkoze cannot make the climb for them, but it can accompany clients during their struggle.

We believe that microfinance is best exercised as one tool in an overall effort to eliminate poverty. We knew from the beginning that education needed to be made available in tandem with micro-finance loans. We knew that microcredit, without access to other critical financial services like remittances from abroad, savings, and currency exchange, was not enough. We have since developed a host of other programs, most recently an expansion of health care partnerships and the introduction of micro-insurance, to truly build an institution on which the poor of Haiti can rely.

On each step of the Staircase Out of Poverty, these services are tailored to the unique situation of the client. This report tells the story of how we meet our clients at whatever step they are on with an appropriate mix of services to help them continue to move forward, and how we are fighting to protect our clients from risk. The fight against poverty in Haiti is a long struggle, but with Fonkoze at their side, our courageous clients are stepping forward every day.



STEP 1: CHEMEN LAVI MIYÒ, or the Pathway to a Better Life, reaches out to the poorest of the poor. It accompanies them with training, one-on-one supervision and encouragement, confidence building and other services like health care and home repair. It protects clients as they move forward along a two-year road from abject misery until they have their own functioning microenterprise and are ready to enter a microfinance program.

STEP 2: TI KREDI, or Little Credit, reaches out to women who want to start a new business but have little or no business experience, and the family has no micro-entreprise at the moment. *Ti Kredi* offers them a smaller initial loan of just \$25, shorter repayment periods, additional support from their loan officer, and literacy and education classes.

STEP 3: SOLIDARITY GROUP credit is Fonkoze's core program. Groups of five close friends organize themselves into solidarity groups that take out their loans together. These groups are organized in turn into Credit Centers of 30-40 women that become long-term associations of women devoted to individual and community economic and social development. Starting with three-month loans of \$75, women can grow within this program until they are borrowing sums as large as \$1,300 for six months. The groups meet together regularly for Literacy, Business Training, and other educational programs.

STEP 4: BUSINESS DEVELOPMENT provides year-long loans that start at \$1,300 and can increase without limit. It currently has clients borrowing \$25,000 and more. This program helps clients become part of the formal economy and create jobs in rural areas where there is very little employment.

BUSINESS DEVELOPMENT

SOLIDARITY GROUP

TI KREDI

CHEMEN LAVI MIYÒ

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Father Joseph
Philippe

Dear Friends of the Fonkoze Family:

As 2009 came to an end, the three institutions that make up the Fonkoze Family — Fonkoze, Sèvis Finansye Fonkoze (SFF), and Fonkoze USA — were marking some of the largest accomplishments of 2009:

- ▶ Fonkoze demonstrated to the world how to show deep compassion to its clients following the hurricanes of 2008 through *Kredi Siklòn*, completed the pilot of *Chemen Lavi Miyò* and was planning innovative new ideas to help Haiti's rural poor.
- ▶ SFF dramatically improved its balance sheet and stepped right to the edge of profitability.
- ▶ Fonkoze USA made record grants for Fonkoze's work in Haiti and was growing to provide an even stronger voice for the institution in the U.S. and abroad.

When Danielle Belair completed her contract in June, Anne Hastings graciously agreed to take over leadership of both institutions for a six-month period. During that time, she recruited a remarkable leadership team that included Georgette Jean Louis as CFO, Natalie Domond as Director of Social Performance, Dominique Boyer as Director of Internal Audit, and finally Carine Roenen, who came on board as Director of the Foundation, while Anne agreed to become the permanent CEO of SFF. These five women now make up a dynamic leadership team for both of the institutions in Haiti.

Little did we know 12 days after the close of a successful year, the most cataclysmic event would rock our institutions, along with the nation and clients our institutions serve. Even though this is a report on 2009, we cannot reflect on that year without doing so through the lens of January 12, 2010.

In the pages of this annual report, we review the Fonkoze Staircase Out of Poverty, and the programs and activities available to clients as they climb that stairway. There are three concepts I hope you take away from this report:

1. **There is no safety net for the vast majority of the Haitian people.** Fonkoze has built an institution geared to provide that much-needed safety net; to give clients access to the financial and social programs they need to shore up their lives and their economic stability in the face of inevitable stresses and disasters in their lives;
2. **Fonkoze is much more than a microfinance institution.** While micro lending is a key component of the mission and methodology of the organization, Fonkoze has evolved into an institution focused on a holistic approach to poverty alleviation;
3. **At every step of the way, Fonkoze evaluates its progress.** Through social performance monitoring, Fonkoze has become an institution on the cutting edge of program evaluation internationally. Not only can we track the progress of our clients as they climb the stairway, we evaluate why they do not succeed — why they fall off that stairway — and how we can improve our programs to enhance their success.

I am reminded of how often I have written letters of hope to you following the disasters or political turmoil that have rocked this little country of ours. To be sure, the road ahead is a very long one. And that was true even before the earthquake. As we emerge from tremendous adversity strong and developing even more new ideas to serve Haiti's poor, our clients can be sure that Fonkoze will always be by their side as they struggle to achieve a better life.

What I know today is that the Fonkoze Family — Fonkoze, Sèvis Finansye Fonkoze, and Fonkoze USA — have built a grassroots movement in Haiti. And this movement has built a strong nationwide institution that reinforces all the courage, perseverance, entrepreneurship, and motivation the Haitian people have to offer. From there, we write the story.

Father Joseph Philippe
Founder and Coordinator

Dear Friends of the Fonkoze Family:

Haiti has received unprecedented attention from the world recently. People from across the globe have come to Haiti with their generosity, their compassion, and their profound desire to see Haiti move beyond its past and towards the hopes of its people. For the past 15 years, Fonkoze has aspired to achieve the mission we established on the very first day, to be the bank upon which the poor can rely.

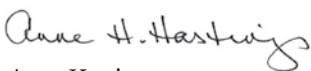
This report tells the full story of our comprehensive approach and how we helped the rural poor move forward in 2009. Our clients can access the financial tools and accompaniment that they need. The needs of Haiti's very poorest are very different than those who are aspiring to grow their business and hire employees, but together, in Solidarity groups and in community meetings, Fonkoze is working in every department of Haiti to build the economy of the country.

Fonkoze has many supporters and friends from around the world. Without them, Fonkoze's work would not be possible. The true story of Fonkoze, however, is the courage and tenacity of a home-grown organization and the nearly 800 employees working in some of the most challenging places on earth. The Fonkoze Family is composed of the most remarkable people in Haiti and around the globe who share the common goal of a better Haiti. And in 2009, we took determined steps to strengthen our leadership team with the addition of several extraordinarily experienced Haitian executives committed to increasing the impact of Fonkoze on the country's economy and the people's well-being.

All three institutions grew financially stronger in 2009. As fortune would have it, growth was slow but measurable, the country was left unscathed by tropical storms, and the political environment was relatively calm. Our clients went about the challenging work of rebuilding their businesses and their lives following the tropical storms of 2008.

The results of our special program to recapitalize our clients businesses, *Kredi Siklòn*, showed us how relief following a devastating tragedy can rebuild lives, and how access to mechanisms to cope with life's risks can make the difference between deeper poverty and a brighter future. These lessons inform our approach to understand what it takes to alleviate poverty in Haiti.

Fonkoze grew in very special ways in 2009. The Fonkoze Family began 2010 far stronger than it had ever been before, and our clients were moving forward. The earthquake that struck the country on January 12, 2010 changed our plans dramatically and has forced us to rethink our approach to alleviating poverty in Haiti. Despite this adversity, as this report is completed, Fonkoze has emerged stronger than ever before and through the dedication of our partners, stakeholders and friends we are helping our clients rebuild their businesses and their lives once again. There are surely new challenges in Haiti's future, but Fonkoze is unconditionally committed to accompanying our clients through anything that may stand in their way to a better life.



Anne Hastings

CEO, *Sèvis Finansye Fonkoze (SFF)*



Carine Roenen

Director, Fonkoze



Anne Hastings



Carine Roenen



CHEMEN LAVI MIYÒ (CLM)

EIGHT MONTHS AGO when Dieulita Fleury became a member of Fonkoze's *Chemen Lavi Miyò* project in the Central Plateau, her life was consumed with just one task each day: finding food for her five children. Eking out a daily existence consumed Dieulita, yet rarely did her children eat on consecutive days.

"Most days, I would boil leaves and hope the next day would be better" she says. Things became so difficult that she sent her

DIEULITA FLEURY CLM CLIENT IN THE CENTRAL PLATEAU

two oldest daughters, 16 and 18 years old, to live with a cousin in Port-au-Prince. Her sons, 12 and 14 years old, ran away to live with their dad in the

Artibonite 15 miles away. She has a three-year-old with the man she has been living with for the past six years.

Today, Dieulita is making big plans. Dieulita has confidence in her future. "For the first time in my life, I look forward to waking up and starting my day." She plans to send for

her boys, now that she believes she will be able to put food on the table for them regularly. She hopes one day her daughters will return and work with her.

Although she has just begun, Dieulita is building a successful business. Since becoming a CLM member, she has been training to become a micro-entrepreneur. With the help of the program, she started selling food products such as rice, oil, beans and sugar.

"There was too much competition," she says. So with the help of her case manager, she switched to selling chickens and ducks.

This business has flourished. "On a good day, I can buy 10 to 20 chickens and ducks and resale them that same day at a good profit in the market place." She goes to work at the open market three times a week, and spends the rest of the week tending to her goats and her small farm plot at home.

Before starting CLM, Dieulita had virtually no assets, and certainly no assets that would produce income. She was given three goats through the program, but now, just eight months later, she has six goats. She also has many chickens and a small garden of corn and beans.

WHAT IS CHEMEN LAVI MIYÒ?

Chemen Lavi Miyò, or the Pathway to a Better Life, reaches out to the poorest of the poor, those on the margins of Haitian society. Throughout an 18-month program it accompanies them with training, one-on-one supervision and encouragement, confidence building and other services like health care and home repair. Participants develop both their capacity and their confidence until they have their own functioning microenterprises.

Participants are selected through a unique process called Participatory Wealth Ranking. Fonkoze relies on members of the local community to identify the poorest people in the area. Fonkoze then visits the homes of potential members, in order to verify their eligibility for

participation. This participatory process ensures that Fonkoze targets only the ultra-poor who are not eligible for our microfinance program.

The families that are selected are those who:

- ▶ Are headed by women with multiple children;
- ▶ Have no income-generating assets;
- ▶ Do not have any of their children in school;
- ▶ Do not have reliable access to food, and are often hungry, and;
- ▶ Do not have access to healthcare or do not know how to access it.

At the completion of the eighteen-month program, Fonkoze evaluates each of the families for their readiness for graduation. Members cannot graduate out of the program if they have a malnourished child, are unable to work, or have a roof that leaks when it rains. Additionally, members are evaluated according to the following criteria:

- ▶ The member's family is "food secure"
- ▶ The member has two income-generating activities
- ▶ The member has an active savings account
- ▶ The value of her productive assets is \$150 USD
- ▶ The member has confidence and a plan for her future

In the pilot of the program, which was completed in December 2008, 95% of CLM participants met the graduation criteria.



"I love Fonkoze and CLM because now I believe in myself."

"We eat every day!" she says joyfully. "My baby eats every day." Other elements of her quality of life are improving. As part of the CLM program, Dieulita is rebuilding her home with a cement floor and a tin roof. "We are even building a latrine in the back," she beams.

Dieulita can't stop smiling, she says she had almost forgotten how to do it. "My case manager visits me every week, we discuss my business, we discuss malnutrition and we discuss my life. He showed me how to treat my water so that my child won't get sick."

In the 8 months since she has been with CLM, Dieulita says that her life has changed completely. "What can I say? I am just happy. Thank you Fonkoze, for not giving up on me and other women in my situation."

She looks forward to her graduation from the program and her continued success. "I know I will be successful. Look what I have done already! And I am not giving up." Very softly she says, "I love Fonkoze and CLM because now I believe in myself."

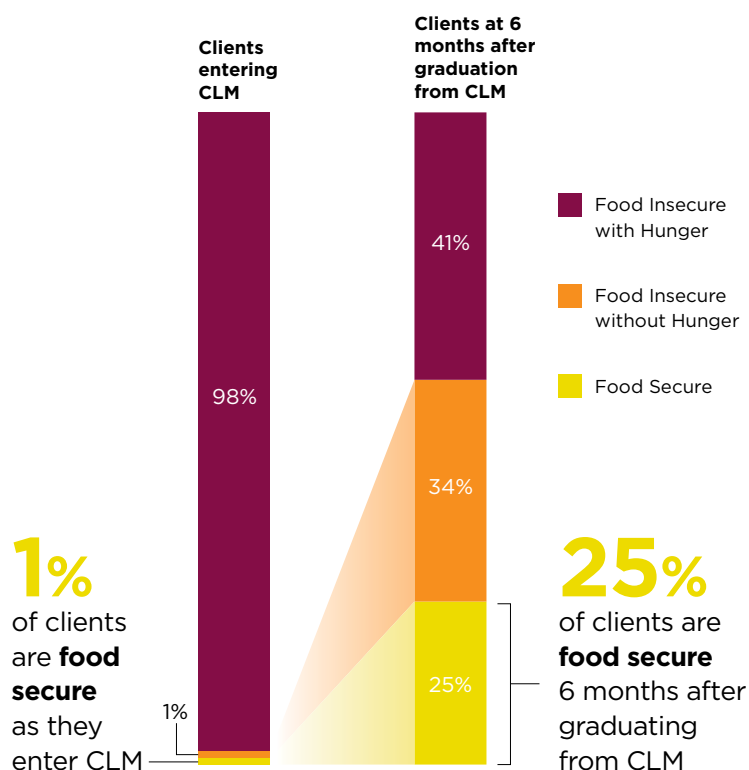


CLM participants start their literacy lessons by learning to write their name, something many have never been able to do.



CLM participants learn and build confidence through games and activities.

FOOD SECURITY



24% of clients **grow their own food** as they enter CLM

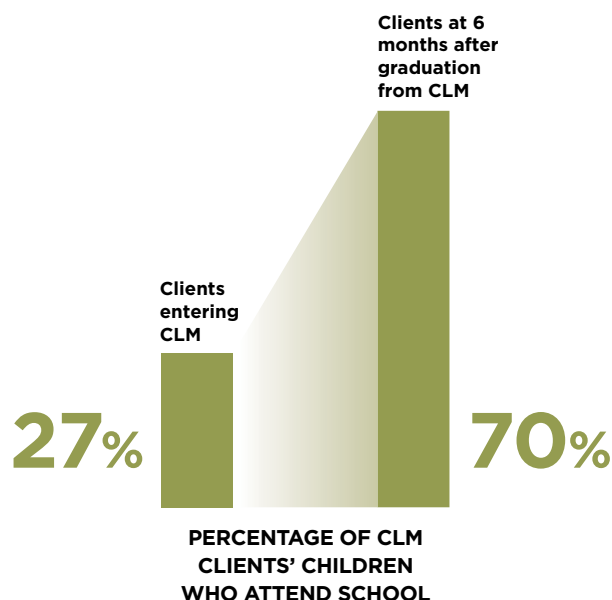
73% of clients **grow their own food** 6 months after graduating from CLM

5% of clients **own large livestock** as they enter CLM

39% of clients **own large livestock** 6 months after graduating from CLM

CHEMEN LAVI MIYÒ | 2009 PERFORMANCE

EDUCATION OF CHILDREN



OVERALL SUCCESS

95% of participants **successfully graduated** from CLM

85% of CLM graduates chose to **move up the staircase** into *Ti Kredi*



TI KREDI

MARIE DENISE AUGUSTE is 43 years old. She and her husband live in Kalgai, a very small village located in the mountains of Kabare over one hour walking distance from where you must leave your vehicle. They teach in a one-room school when there are students for classes. Both Marie and her husband have

MARIE DENISE AUGUSTE
TI KREDI CLIENT IN
KALGAI, KABARE

attended school and can read and write, rare skills in their remote village. Unfortunately, teaching is not nearly sufficient

to support a family. “You can’t make a stable living from teaching because people have many other priorities,” she says. “Sometimes finding food to eat is the priority in our village.”

Like many, Marie Denise has borrowed money many times throughout her life, but never from a formal institution. Instead, she has had to turn to informal money lenders, “loan sharks”

who charge enormous interest rates, levy grave punishments for non-payment, and have terms that can bury families in debt. “When you borrow from loan sharks, you have no idea how you will ever finish paying the loan because the interest is due every day,” she notes. “The terms of the loan are that the principal is never paid down unless you can pay it in full.”

She and her husband live with their six children whose ages range from 6 to 17. Since beginning Fonkoze’s *Ti Kredi* program five months ago, her family’s life has changed dramatically. All six children will be starting school this year for the first time in their lives. They are able to eat much more regularly. “Fonkoze is bringing us to a life with some feeling of security, that is something we have never known before,” she said.

Since joining Fonkoze five months ago, Marie says her village has become much more active because many of the woman began the *Ti Kredi* program. “Now I sell rice, spaghetti, fruits, and drinks right from my home,” she beams. “I seldom have to go to the open market.” Since the market is several

WHAT IS TI KREDI?

Ti Kredi, or Little Credit, reaches out to women who might otherwise qualify for *Chemen Lavi Miyò*, but have the motivation to start a new business and an idea of how they might get started. Yet they have little or no business experience, the family has no micro-enterprise at the moment, and they aren't yet ready for a \$75 loan, the first loan in Fonkoze's solidarity-group credit program. The smaller loan size comes with a shorter repayment period and close accompaniment from a Fonkoze credit agent — including capacity building and life skills training essential to bringing *Ti Kredi* clients out of near-extreme poverty. These training sessions include hard skills like micro-enterprise management and literacy, as well as topics such as sexual and reproductive health, children's rights, and environmental protection.

The six month program begins with a one-month loan of just \$25. After successfully repaying this loan, the client takes two successive loans of two and three months each, stepping up to a larger loan each time. Clients grow their business and learn the skills they need to be successful in microfinance. They also save a small amount of money each week so that they can get in the habit of safely keeping money in a deposit account.

As with the next step on the staircase, Solidarity, women work together in groups of five for support and self-encouragement. At the end of the program, *Ti Kredi* clients are ready to become true microfinance clients and grow their businesses even more.



“Fonkoze is bringing us to a life with some feeling of security, that is something we have never known before.”

hours from her home, she can spend more time teaching. Being able to conduct business close to home is less expensive and physically demands far less from her.

She says that Fonkoze is moving them forward in ways they couldn't have imagined. Before starting *Ti Kredi*, “we had nothing at all to eat except some leaves and vegetables we could gather to boil and feed our children.” Now, when they wake up in the morning, they have a purpose and so much energy to get to work.

Marie has even taken a leadership position in *Ti Kredi*. She serves as the Fonkoze center chief for all of the *Ti Kredi* groups in her area, which is a big responsibility that she takes very seriously. She's sure that she always motivates her fellow *Ti Kredi* members. “We have become like a family, always looking out for each other,” she says. “We've made so much progress together already.” In another month, Marie Densie, her center, and her entire village will take another step forward as they graduate to Fonkoze's Solidarity program.



SOLIDARITY GROUP

TELAMISE SAINTELIN has been a member of a Fonkoze solidarity group for three years. She is the leader of her Solidarity group of five women. They meet regularly and have never missed a payment in the entire three years they have been clients. She takes her responsibilities very seriously, and knows that her reputation is essential to her dignity. “Sometimes, when you are

TELAMISE SAINTELIEN FONVERÈT

poor, dignity is your only possession,” she says.

Fonkoze has changed her life. Unlike many of

the other women in her credit center, the collection of ten Solidarity groups that meet twice a month for loan repayments and meetings, she can read and write. When Fonkoze began offering education modules in Fonverèt, she volunteered to be trained as one of the facilitators of learning for her center, an essential component of Fonkoze’s education approach.

At first, she helped teach the health module while at the same time participating in the children right’s module. The lessons

reminded her how important adults are in a child’s life and how they serve as role models. She feels good that she is able to help teach lessons while she is also a student. She plans to take the business skills module next, which will teach her basic book-keeping and techniques to ensure that she is making a profit.

The women in her class were reluctant to participate in education at first. They thought that it would be impossible to learn anything at their age, but they soon discovered that they were learning faster than they could have imagined. Soon, they were writing their names and asking deep questions about the material. Telamisse says that what she hears most from her friends is how great it will feel to be able to write their name at last. Learning to do such simple things can be so incredibly important, not only for their businesses but for every part of life.

Telamisse’s business is selling durable baskets, shoes, and containers in the local market. With the help of loans from Fonkoze and the ability to access her deposits in any Fonkoze branch around the country, she travels to Port-au-Prince to purchase her inventory and sells the items to the people in her community. She and many other Solidarity clients like her form the supply



WHAT IS SOLIDARITY GROUP LENDING?

Solidarity group lending is the core lending product of Fonkoze and the second step of the Staircase Out of Poverty where credit is key to our client's success. Groups of five close friends organize themselves into solidarity groups that take out their loans together. Starting with three-month loans of \$75, women can grow within this program until they are borrowing sums as large as \$1,300 for six months.

These groups are organized in turn into Credit Centers of 30-40 women that become long-term associations of women devoted to bringing their families out of poverty by strengthening their businesses and educating themselves.

Each center elects a chief who is trained to help deliver education and other activities and serves as the leader. She is also the center's delegate to a caucus of all centers belonging to the branch, and may be elected to the regional or national assemblies as a member-client representative. This is the fundamental basis of Fonkoze's democratic system of leadership development and client-driven decision making. Although the Solidarity program is appropriate for the majority of women in Haiti's rural areas, many clients have worked their way from CLM or *Ti Kredi* to build a business which can grow with the help of microfinance loans.

**“They are right here,
in our town, and they are
always there for us.”**

chain for the majority of goods that are available in the rural parts of Haiti. In this way, they literally form the backbone of Haiti's economy.

“By having a branch in Fonverèt, Fonkoze is helping us so much, not just financially, but also in helping us cope with life's ups and downs,” she says. “They are right here, in our town, and they are always there for us.” Fonverèt is a town that is very rural and remote. The roads surrounding the town are extremely bad, which makes it very difficult to get anywhere or to travel to purchase goods in other parts of the country. Fonkoze has eliminated one of Telamisé's greatest challenges, however. “With a branch right here, we don't have to carry money and worry about losing it,” she exclaims. “Now I can truly develop my business where I live without fear.”



BUSINESS DEVELOPMENT

LIKE MANY WOMEN IN HAITI, Marie Ocianie Zamy has a very large family. She has eleven children, ages 11 to 33, and four grandchildren. For all of them, she is the family's "*poto mitan*," the bedrock and cornerstone. Her courage has allowed them to overcome tremendous odds.

MARIE OCIANIE ZAMY BUSINESS DEVELOPMENT CLIENT IN MIBALE

Marie is a long-time member of Fonkoze. She started in Solidarity lending in 2002 when she took her first loan of 1,500 HTG, which then equaled about \$40, and started selling rice, vegetables, and other food products. At first, profits were small, but Marie and her family persevered and grew the business. "My children were my first motivation, I wanted them to have at least one good meal each day," Marie says. "That's not easy with 11 children."

With her husband working on their vegetable garden, and Marie working to sell the surplus food and items she purchased in Port-au-Prince at the market, returns slowly began to improve.

Although a loan from Fonkoze helped, determination was the key factor. Even with setbacks, like the hurricane season of 2004, her family stood behind her as she and her Solidarity group began to prosper. In fact, the group was never delinquent during all five years she was in the program. Finally, in 2007, her business outgrew group lending, and she entered Fonkoze's individual loan program, Business Development.

She now borrows 70,000 HTG at a time, about \$1,750. Her business has become a restaurant which sells prepared food, cool drinks, and packaged food. She built the restaurant next to her home. She also purchased two motorcycles for a motorcycle taxi business handled by her sons, and owns several pigs, two cows and many other livestock. In her garden, she grows corn, beans, rice, and tobacco.

WHAT IS BUSINESS DEVELOPMENT?

Business Development provides year-long loans that start at \$1,300 and can increase without limit. This program helps clients become part of the formal economy and create jobs in rural areas where there is very little employment. It currently has clients borrowing more than \$25,000 at a time, and most of these clients employ a workforce. Most of the clients of this product are in the business of value-added production, which helps bolster the local economy in ways that smaller business activities cannot.

Many Business Development clients are *ti machann*, women market traders, who have been in the solidarity lending program for a long time. Their businesses have outgrown the maximum loan size in Solidarity lending. They are clients with a long history of good loan repayment and are ready to take responsibility for an individual loan, perhaps in the formal economy. The loan sizes can rise to \$100,000 or more. Business Development is Fonkoze's last step on the Staircase Out of Poverty.



**“Fonkoze is my lifeline...
I educated my entire family
and kept food on the table
because of Fonkoze.”**



Although she has done well with Fonkoze, the pathway has not always been easy. Like so many, Marie's family was hurt by the 2008 hurricane season. Assets were destroyed and her house was damaged, but fortunately she was able to afford repairs. Those were difficult times, but she has persevered and now she says her family is stronger than ever.

Although her father left her land on which to live, since becoming a member of Fonkoze she was able to build a larger, much stronger house for her family to live in. When few others would have been willing to take a chance on Marie and her business, and would not have accompanied her along the way, Fonkoze was always there for her.

“Fonkoze is my lifeline,” says Marie. “I educated my entire family and kept food on the table because of Fonkoze, I could have never done all this without Fonkoze behind me. I did my own evaluation when I started with Fonkoze, and it's the only real bank in Haiti for poor people, it's the only bank you can truly trust.”



Fonkoze uses group learning and original booklets



Center chiefs help identify and refer malnourished children

OTHER PROGRAMS FOR OUR CLIENTS

EDUCATION

For participants in Fonkoze's education programs, the outcome is life changing. The programs teach their members to read and write, to make better use of their business, to protect the rights of their children, advocate for their own rights as women, and understand how to protect the environment. All the programs are very participatory and focus on improving problem-solving and communication skills. Clients have told us how their new communication skills have even made them better parents and better leaders "My daughter now feels that she can come and talk to me. There are things I didn't know before but that I understand now."

These women become leaders and agents of change in the communities in which they live. They also become much better at managing their business and thus can provide more for their families. 60% of new Solidarity loan clients cannot read or even write their name. This makes it difficult to track inventory and debtors.

Clients have reported that because they cannot write their name on their merchandise, it is often lost when they are moving it from Port-au-Prince back to rural areas for sale. Illiteracy is not only bad for business but often humiliating at the same time. One client who sells shoes told her credit agent that when her clients asked for a particular size shoe, she had to have the clients look for it because she couldn't read the numbers.

HEALTH

Over the past 16 years Fonkoze has documented how illness destroys clients' livelihoods and drives them further into poverty. Fonkoze has found it is very difficult for many of its clients to obtain health services, either because the available health services are too far away, or because the clinics do not have the capacity to reach out into more isolated rural areas. Fonkoze decided to play a more active role in accessing health

services for its clients in the communities they live in through partnerships with experienced health organizations like *Zamni Lasante* (Partners in Health) and through direct delivery of basic services at Fonkoze credit center meetings.

In centers where health services are delivered, the children of clients are eligible to receive vitamins and albendazole, a de-wormer that helps children absorb the nutrition they need for healthy development.

Children of our clients can also be evaluated for malnutrition, deemed responsible for as many as 50% of child deaths in Haiti. 13-31% of Haitian children are malnourished, and most of them live in the rural areas where Fonkoze operates. Among Fonkoze's tens of thousands of members, it is certain that many have children who suffer from malnutrition.

Malnutrition is also extremely easy and inexpensive to identify. Center chiefs, who are borrowers themselves, are trained to measure midupper arm circumference with a simple color coded measuring tape to identify malnutrition and its severity. Since the process is painless and quick, members are very likely to bring their children for screening. Then the center chiefs make sure that the mothers take any of those children who measure as malnourished to the closest clinic that can treat them — even if it means the center chief must accompany them herself.

For even the most severe cases, malnutrition is a treatable disease in which appropriate medical care and improved nutrition can lead to very high rates of recovery. Malnourished children of Fonkoze clients, and the other children Fonkoze center chiefs identify in their community, are referred to health partners. Most of the children do not need to be hospitalized and can be cured with a peanut based readytouse therapeutic food, and is grown locally in Haiti. This approach is currently recognized as best practice by the international health authorities and by



Clients can access financial services in any of 41 branches in all 10 departments of Haiti

the Ministry of Health. It can be distributed free of charge to the mothers at clinics in many parts of Haiti, and boasts an 85% recovery which is higher than any other medication.

OTHER ESSENTIAL MICROFINANCE SERVICES

Fonkoze's branch network across Haiti is about far more than loans. Each point of service offers invaluable financial services to communities where few, if any, other financial institutions operate. Although these services are taken for granted in developing countries, many of the poor in Haiti are excluded by the commercial banks. Fonkoze is a reliable financial partner that our clients trust to look out for their interests.

Before Fonkoze, our clients were forced to save money in assets which can be destroyed or in cash which can be stolen. Fonkoze offers its clients deposit accounts that pay a fair rate of interest and can be accessed at any Fonkoze branch in Haiti. In fact, many of our clients deposit money in their account, travel to another location to buy goods for their business, and withdraw the money only when they need to make a payment, decreasing their risk and keeping their money safe. At the end of 2009, Fonkoze had almost 200,000 savers, representing nearly a million family members.

In all of Fonkoze's branches, our clients can also access low-cost and easy to use money transfers, money sent by friends and family abroad, and currency exchange to convert between US dollars and Haitian gourdes. In 2009, Fonkoze's prepaid Visa card program in the United States made it even easier for friends and family abroad to send money to their loved ones in Haiti. In many of the isolated communities that Fonkoze serves, few institutional alternatives exist, so transfer payers and money changers can charge high surcharges and fees.

Although these financial services are not as well known as Fonkoze's microlending, imagine that you did not have access

to the most basic of financial functions. Now imagine that you live in a country where your money is vulnerable to theft and disaster, where you need to work in multiple currencies, and you need access to services in your own town because transportation to the nearest city could take an entire day and cost a large percentage of your income.

These are the fundamental challenges that our clients have to overcome as they work to build assets and a business that will lift them out of poverty. Fonkoze is as committed to ensuring that our clients can access all of these services, at the lowest possible price, in every rural village as we expand to ever more locations across the country, as much as any other activity we undertake.

DIASPORA SERVICES

Haiti's Diaspora, Haitians living outside the country, is extraordinarily important for many of those who live in Haiti. Remittances, money sent to friends and family in Haiti, totaled 26% of the country's GDP in 2009. Fonkoze engages directly with members of the Diaspora living in the United States and Canada to share information about Fonkoze's approach to poverty alleviation, the inexpensive products we offer for sending money, and to connect the Diaspora with ways to support the development of their country.

Katleen Felix – recipient of many awards from the Haitian community — serves as Diaspora Liaison for the entire Fonkoze Family. She frequently speaks in community centers, churches, and conferences about Fonkoze's work. Her work includes several innovative projects including the Zafen investment portal launched in early 2010, and an extensive database of Haitian Hometown Associations, Diaspora organizations in the United States and Canada working to support and develop communities in Haiti. During the year 2009, our partnership with the Diaspora grew tremendously.



MICROINSURANCE

PLAGUED BY TROPICAL STORMS, floods and hurricanes that have killed hundreds of thousands of people and left even more destitute, Haiti has a long history struggling with Mother Nature. Every two years, and sometimes more often than that, the country is inevitably struck by serious natural disasters. Haiti's poor, already vulnerable, struggle to cope with assets washed away, family members lost, and the challenges of simply staying alive while waiting for the disaster to end.

Fonkoze realized several years ago that its clients needed tools to safeguard against devastating risks, especially the loss of key family members. In 2008, Fonkoze and partner Alternative Insurance Company (AIC) of Haiti launched the country's first life and credit insurance for microfinance clients. Upon death, the policy covers the entire outstanding balance of the client's loan and provides an indemnity of 5,000 HTG, about \$125, to help cover final expenses.

This helps the family give their loved one a dignified burial, and helps to save the family from being further crippled by the loss of a key family member. Nobody wants to lose their mother, their grandmother, their sister, but if they do, the family will not be left with a burden at the worst possible time.

Yvonne Exile is a Fonkoze client in Mibale, a rural town in Haiti's Central Plateau. "I love this insurance so much that I consider it my husband," she says. "Normally, it is your husband's responsibility to repay your loan in the case of death, but with AIC, the insurance takes this responsibility. For me, that is huge."

This micro-life-insurance has helped hundreds of families of Fonkoze clients since it was rolled out, but it does nothing to help clients who lose their businesses, their homes, or their assets in a disaster. Given the region's susceptibility to natural disasters, political tumult and economic instability, Fonkoze has frequently worked with the people of Haiti to support sustainable enterprises in the region, only to see many small business owners lose everything to storms, and now, earthquakes.

One of Fonkoze's clients from the northern city of Gonayiv spent years successfully working her way out of poverty. With micro-finance loans, she created a business selling plastic containers. In 2004, she and her children watched from their roof as flooding from a tropical storm washed away her livelihood. She rebuilt her business with another micro-loan, proving that her spirit, while bruised, was not broken. Then in 2008, she again lost everything and had to start over.

This vicious cycle traps so many in Haiti. Having thousands of our clients suffer through similar stories following storms and turmoil, Fonkoze turned to innovation to help clients stay on the staircase, even when disaster strikes. So in 2009, Fonkoze, again in partnership with AIC, started to develop catastrophic insurance for its clients—unfortunately not quite in time to be ready for Haiti's largest natural catastrophe, the earthquake of January 12. With the support of organizations from around the world, Fonkoze is working harder than ever to make catastrophic insurance a reality in 2010.

Dear Friends of Fonkoze USA:

Fonkoze USA, too, is growing. This is partly a reflection of international recognition of Fonkoze's innovative work in Haiti, and partly due to our strategy to build capacity to be effective collaborators with our partners in Haiti.

Fonkoze USA is one of a growing list of major stakeholders of Fonkoze and SFF, but the role of Fonkoze USA – as a member of the Fonkoze Family — is an expanded one. In addition to raising funds to make grants to Fonkoze's programs and activities in Haiti, Fonkoze USA:

- ▶ Manages a revolving loan fund of close to \$2 million used by Fonkoze to make loans to clients in rural Haiti. This loan fund is financed by a faithful community of “alternative investors” – organizations and individuals who are committed to higher risk, high impact social investing;
- ▶ Provides the “public face” for Fonkoze in the U.S., spreading the word about Fonkoze's unique approach to poverty alleviation in Haiti;
- ▶ Serves as the communications division for the Fonkoze Family, maintaining the Fonkoze website, developing relationships with media, producing newsletters and the annual report;
- ▶ Connects donors and investors personally to the work on the ground by leading delegations to rural Haiti to see and experience first-hand the programs of Fonkoze.

FONKOZE USA

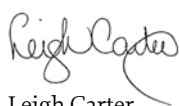
As the organization providing U.S. donors tax-exemption for their contributions toward the work in Haiti, and the necessary due diligence and reporting that comes with it, Fonkoze USA is committed to the responsibility of accountability in all we do. We are your “window” into the work taking place on the ground, to the stories of the clients and the staff, and to the social impact of those programs. We are proud of our high ratings with Charity Navigator, Guide Star, and Better Business Bureau.

As we build capacity, two things need attention:

- ▶ We seek to build enough capacity to be an effective partner in the Fonkoze Family, but we understand the balance of building capacity in the U.S. vs. sending as much of every dollar we can to Haiti;
- ▶ We need all of our donors – large and small. Fonkoze USA plays a critical role for Fonkoze. We are able to step in to fund programs other foundations and individuals may not be able or willing to fund. If you take a look at our donor data, it becomes clear **our largest donor is collectively our smaller donors!**

As we grow, we need you to grow with us. The local efforts of volunteer groups all over the U.S. have played a huge role in our success, and it is this kind of commitment that will take the Fonkoze Family into the future. Local efforts have sponsored branches, enabled thousands of clients to complete an education module, sent CLM children to a summer youth program, and assisted Fonkoze staff in the wake of horrific disaster.

On behalf of the Board of Fonkoze USA, and on behalf of Fonkoze and the clients, we need you to know you sustain this work. You are our strength.



Leigh Carter
Executive Director
Fonkoze USA



Leigh Carter

SINCE 2006, Fonkoze's Social Performance Monitoring and Market Research Department (Social Impact) has worked to examine Fonkoze's progress toward achieving its mission. In 2009, this meant conducting interviews with over 1,200 clients, leading focus group discussions with over 800 clients, and carrying out exit interviews with approximately 360 former clients. Social Impact Monitors, based in branches throughout Haiti, interact directly with clients to collect social and economic data and anecdotal information that help Fonkoze managers improve existing products and services, or create new ones to better suit the needs of the poor.

One of the core principles of Fonkoze's founding is that the institution would be national in scope and would reach the very poorest. Fonkoze evaluates a sample of the clients who enter each program to ensure that the programs are reaching the targeted group. One strong indicator of poverty is food insecurity, the inability to access food on a regular and frequent basis. In 2009, 99% of new *Chemèn Lavi Miyò* (CLM) clients were food insecure with hunger, 91% and 47% of new *Ti Kredi* and Solidarity clients were food insecure with hunger respectively.

move up the staircase into *Ti Kredi*. Among program participants we saw significant decreases in poverty as measured by Fonkoze's Poverty Scorecard, a 43 percent increase in the number of CLM members sending "most or all" of their children to school, and a 50 percent increase in the number of members cultivating their own food. In 2009 CLM grew to include 250 more families, incorporating lessons learned from the pilot to make a stronger program.

New clients of the second step, *Ti Kredi* ("Small Credit") were 20 percent more likely than Solidarity clients to be living below \$1/day, and 44 percent more likely to suffer from chronic hunger in 2009. This shows that Fonkoze's targeting methodology succeeds in identifying a specific category of very poor people for this program. By the end of the year, *Ti Kredi* was operating in 13 of Fonkoze's 41 branches.

The *Ti Kredi* program made some key improvements in 2009 as enrollment increased substantially. The loan disbursement processes were streamlined to improve continuity of our client's businesses, and a number of key workflows were digitized.

SOCIAL PERFORMANCE: MEASURING PROGRESS TOWARD

FONKOZE IN 2009

2009 was a critical year of stabilization and recovery for Fonkoze and its clients. Fonkoze's strong response to the hurricanes in September 2008 set the stage for recovery in 2009. Feeling the effects of the storms and the global economic crisis, this year Fonkoze made the strategic decision to slow growth of our primary loan product, Solidarity Credit, in order to strengthen our core capacities and focus on serving existing clients. However, we expanded smaller yet strategically important credit and non-financial programs designed to broaden our institutional reach, and in 2009 we addressed the most diverse range of client needs in our history.

Each step of our Staircase Out of Poverty is very different, and so the indicators that our clients are succeeding must be tailored at each level. Here we present a summary of our key findings in 2009, all of which are discussed in more detail in the full Social Performance Report 2009 available on our website.

Our first step, *Chemèn Lavi Miyò* ("Pathway to a Better Life"), completed its pilot phase in early 2009 with remarkable results: 95 percent of the participants successfully graduated from the program and 85 percent chose to

Clients on our third step, *Kredi Solidè* ("Solidarity Credit"), have greater food security, better living conditions, and greater confidence in comparison to *Ti Kredi* clients. Incoming Solidarity clients were slightly poorer in 2009 than in 2008, however. Of the 286 new clients interviewed, approximately 53 percent of new clients were living below \$1/day and 69 percent living under \$2/day. 79 percent of these clients suffered from some form of food insecurity.

Some of the most encouraging results in 2009 came from progress demonstrated by Solidarity clients who participated in our *Kredi Siklòn*, or "Hurricane Loan," program. These clients suffered significant loss of business and personal assets in the 2008 storms. Social Impact Monitors re-interviewed 308 *Kredi Siklòn* clients one year after receiving their new loans. These clients moved above the \$1/day and \$2/day poverty lines at the same rate as Solidarity clients who had not been affected by the storms. Among *Kredi Siklòn* clients, we saw a decrease from 60 percent to 43 percent of those living in chronic hunger. These results show that *Kredi Siklòn* clients, on average, were successful at stabilizing their situation and did not slip deeper into poverty in 2009.

Fonkoze also reports on the results of the many services that support the Staircase Out of Poverty model with essential skills and tools to cope with life's inevitable challenges.

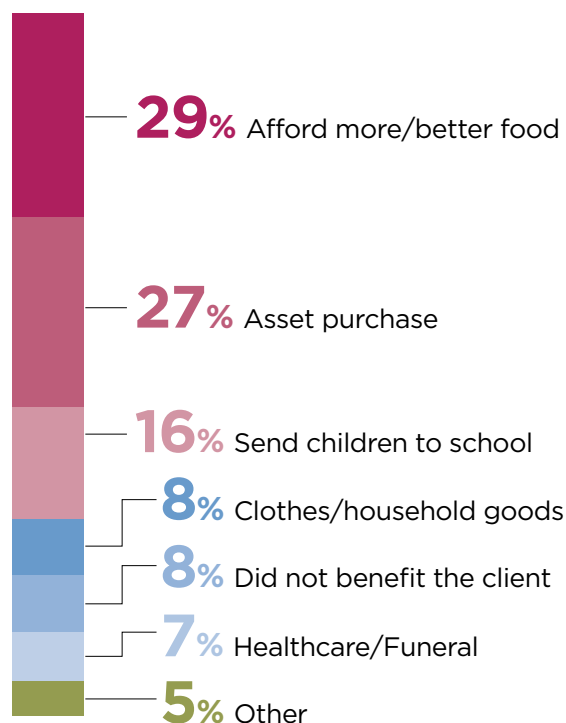
In 2009, Fonkoze's **Education and Literacy** program added 10 coordinators to its staff, expanded coverage into 20 Fonkoze branches and reached over 13,000 clients with its basic literacy, business and life skills modules. Our **health** program piloted a campaign to fight malnutrition among the children of our clients. 410 children were screened, 106 of which were treated for malnutrition. The program also distributed a 2-month supply of vitamins to 13,200 children and distributed 400,000 de-worming pills to clients, children, and related community members. Our **credit-life insurance** product covered 214 clients who passed away in 2009. This insurance product covers the outstanding amount of the clients' loans and pays a death benefit to the family of about \$128, to defray funeral costs and temporary loss of income.

CLIENT EXIT AND SATISFACTION

For the third year in a row, of those clients who left the program, one-third of those interviewed did so less than one year into the program. Clients exited for many reasons in 2009, but business failure continued to prevail as the primary cause.

WHAT DID CREDIT ALLOW CLIENTS TO DO?

(Interviews with exiting clients)



FONKOZE'S MISSION

For the second year in a row, we found that exit clients were slightly poorer than the average continuing client that did not leave Fonkoze. Possible factors behind this trend may include: clients did not fare well with debt; clients were actually poorer when they started; clients suffered setbacks caused by external shocks, personal emergency or life changes.

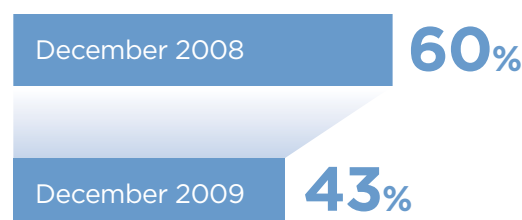
Overall exit clients communicated high levels of satisfaction with Fonkoze. Over 91 percent of exit clients declared that Fonkoze helped their family a lot or somewhat. Clients reported being able to buy more and better food, send their children to school, pay for healthcare expenses, acquire clothes and/or household goods and make vital investments such as animals and land. In focus group discussions with existing clients, they praised Fonkoze for its many initiatives, most notably its education services, micro-insurance product, and innovative post-disaster responses, such as its "Hurricane Loan."

To read the full Social Performance Report 2009, please go to www.fonkoze.org

AVERAGE LOAN SIZES

CLM	no credit
Ti Kredi	\$42
Solidarity	\$221
Business Development	\$1,685

% OF KREDI SIKLÒN CLIENTS WITH CHRONIC HUNGER





IMPACT OF THE JANUARY 2010 EARTHQUAKE

THE ANNUAL REPORT YOU HOLD IN YOUR HANDS

documents the progress, challenges, financial information and donor support for the year 2009. As we moved to completion of this project, we knew it would be impossible to go to press without acknowledging the events of January 12, 2010 within its pages.

It was not lost on us that on the very day of the earthquake, the leadership of Fonkoze were gathered in the central office to evaluate and commemorate important 2009 milestones. Anticipating a new year with confidence and enthusiasm, we were marking the successful conclusion of Fonkoze's recovery program for victims of the 2008 hurricane season – *Kredi Siklòn*, debuting our participation in the Smart Campaign to protect the rights of clients, and ironically planning the launch of a catastrophic insurance product.

At the end of that day, our central office staff found themselves huddled in the courtyard outside of our crippled headquarters contemplating what the future held for our institutions, for our staff and clients, and for Haiti.

This time next year, we will release our 2009 annual Report to recap all the events of that tragic day, the challenges brought about by the massive destruction, the donors and partners who came to our side, the innovative new ideas that Fonkoze has pioneered, and the progress made by Fonkoze and its clients.

While this report is about 2009, we have to mention our achievements since the earthquake.

- **Fonkoze has already implemented the Kore Fanmi Fonkoze (Fonkoze Family Recovery Program)** — Fonkoze's client and employee recovery program has assisted almost 19,000 Fonkoze members and their families recover their livelihoods;



- ▶ **Fonkoze provided housing and other support for Fonkoze employees** — In addition to psychological counseling services, staff received grants for damaged and destroyed homes to help stabilize their lives;
- ▶ **Fonkoze delivered financial services when it was needed most** — While other institutions remained closed, Fonkoze had most of its branches open within days of the earthquake;
- ▶ **Fonkoze began a scale-up of *Chemen Lavi Miyó* and *Ti Kredi*, Fonkoze's programs for the ultra-poor** — An extraordinary refugee situation led to an even greater need for solutions to catastrophic poverty, especially in the rural areas where Fonkoze focuses its work;
- ▶ Together with partners DePaul University, the Worldwide Vincentian Family, and the Haitian Diaspora Hometown Association Resource Group, **Fonkoze launched a website (www.zafen.org) providing an internet pathway for making loans and donations to Haiti's small and medium-sized businesses.**

The paradigm has changed in Haiti into what some are calling “the new normal” requiring fresh thinking and new tools. In the fall of 2010, Fonkoze is rolling out new products and services that respond to the needs of our clients in their struggle out of poverty.

TO THE RELIEF OF ALL IN HAITI, 2009 was a relatively stable year for Fonkoze's clients. Many continued to struggle with the aftermath of a devastating 2008 hurricane season, but Fonkoze's *Kredi Siklòn* program helped them restart their businesses and restore their lives. Even when things are stable, the journey out of poverty is long and difficult. In the context of relative political stability, fewer hard rains, and slow, but measurable growth, thousands of



Nathalie Gaetan
Chief Accountant,
Fonkoze

Haitians spent 2009 working hard to build a better life with Fonkoze by their side.

In 2009, Fonkoze once again delivered the largest amount of services and programs for Haiti's rural poor in its history. While doing so, it still strengthened its balance sheet, which would put it in position to respond rapidly to the needs of the institution and its clients when the earthquake struck on January 12.

FONDASYON KOLE ZEPÒL (FONKOZE)

Statements of Financial Position

All amounts expressed in Haitian gourdes (HTG)

	2009 42.0193 HTG/USD	2008 39.8176 HTG/USD	2007 36.7844 HTG/USD
ASSETS			
CASH AND CASH EQUIVALENTS	129,404,007	52,849,945	29,129,960
INVESTMENTS	50,627,991	45,126,594	33,053,917
ACCOUNTS RECEIVABLE	61,767,865	71,949,707	33,915,686
LOANS	65,762,729	156,650,545	126,708,337
Less allowance for loan losses	(1,865,145)	(21,813,523)	(4,422,100)
Net loans	63,897,584	134,837,022	122,286,237
FIXED ASSETS	47,491,169	48,182,596	34,911,940
Accumulated depreciation	(27,481,050)	(21,465,105)	(13,717,722)
Fixed Assets, Net	20,010,119	26,717,491	21,194,218
OTHER ASSETS	6,895,087	5,453,121	3,733,580
TOTAL ASSETS	332,602,653	336,933,880	243,313,598
LIABILITIES AND NET ASSETS			
DEPOSITS	147,483,435	134,726,312	98,078,010
BANK OVERDRAFTS	-	35,711,048	50,405,270
NOTES PAYABLE			
Current portion	23,033,725	36,573,279	13,803,174
Long-term portion	79,301,923	55,440,994	72,875,242
DEFERRED REVENUE - HURRICANE RECOVERY GRANTS	-	28,359,382	-
OTHER LIABILITIES	39,658,880	22,814,627	2,916,403
TOTAL LIABILITIES	289,477,963	313,625,642	238,078,099
NET ASSETS			
Unrestricted	(66,459,666)	(75,623,088)	(33,100,188)
Temporarily restricted	91,197,570	89,900,431	34,320,217
Permanently restricted	18,386,786	9,030,895	4,015,470
TOTAL NET ASSETS	43,124,690	23,308,238	5,235,499
TOTAL LIABILITIES AND NET ASSETS	332,602,653	336,933,880	243,313,598

Although new branch openings continue each year, steady transfer of large branches to Sévis Finansye Fonkoze since 2007 has decreased the average size of the loan portfolio. This has lowered net income from lending and other financial services related activities, which has been matched by lower costs to provide these services. Salaries fell by 5.1% from 2008 to 2009. On the other hand, the Foundation has substantially increased the number of programs it delivers, leading to a 7.8% increase in overall operating expenses.

During the course of 2009, Fonkoze paid down its line of credit, more than doubled its position in cash, and saw an overall increase in net assets of 85%. These developments demonstrate the expansion of the foundation and the commitment to sound financial management. Fonkoze seeks to be strong in all dimensions, from delivering measurable improvement in the lives of our clients to soundly managing the resources of its donors, grantors, and other stakeholders.

Statement of Activities

All amounts expressed in Haitian gourdes (HTG)

	2009 41,196 HTG/USD	2008 39,1070 HTG/USD	2007 36,8614 HTG/USD
INTEREST INCOME			
Loans	32,972,282	38,440,558	56,696,016
Other	1,180,695	1,072,257	866,170
TOTAL INTEREST INCOME	34,152,977	39,512,815	57,562,186
INTEREST EXPENSES			
Debt	(2,637,115)	(11,422,142)	(14,564,506)
Deposits	(2,426,613)	(1,927,758)	(1,519,028)
NET INTEREST INCOME	29,089,249	26,162,915	41,478,652
Provision for loan losses, net of recoveries of loans previously written off	(2,781,263)	(25,627,339)	(11,041,284)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,307,986	535,576	30,437,368
OTHER INCOME			
Donations	11,438,245	6,341,202	16,485,855
Gain (loss) due to exchange rate fluctuations	(2,710,936)	(5,278,426)	936,103
Foreign exchange gain	7,412,339	8,314,225	5,771,234
Membership dues	1,037,522	2,073,909	2,436,514
Loss on investment in subsidiary	(9,887,586)	(5,407,148)	(634,394)
Other	6,896,889	7,370,851	3,167,644
NET INTEREST INCOME AND OTHER INCOME	40,494,459	13,950,189	58,600,324
NET ASSETS RELEASED FROM RESTRICTIONS	131,746,809	146,513,498	41,397,106
OPERATING EXPENSES			
Salaries and other equipment expenses	85,639,464	90,241,203	70,303,845
Rent	3,915,447	4,166,347	3,172,656
Other premises and equipment expenses	14,202,251	11,875,026	8,955,299
Depreciation	8,923,702	8,875,286	6,852,836
Other expenses	50,396,982	36,069,099	42,237,400
TOTAL OPERATING EXPENSE	163,077,846	151,226,961	131,522,036
NON-OPERATING EXPENSES			
Hurricane recovery grant	-	44,984,000	-
Management fees - hurricane recovery grant	-	6,775,626	-
TOTAL NON-OPERATING EXPENSES	-	51,759,626	-
CHANGE IN UNRESTRICTED NET ASSETS	9,163,422	(42,522,900)	(31,524,606)
TEMPORARILY RESTRICTED NET ASSETS			
Grant revenue	133,043,948	202,093,712	62,727,292
NET ASSETS RELEASED FROM RESTRICTIONS	131,746,809	146,513,498	41,077,106
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	1,297,139	55,580,214	21,650,186
PERMANENTLY RESTRICTED NET ASSETS			
Capital grant contribution	9,355,891	5,015,425	367,844
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	(320,000)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	9,355,891	5,015,425	47,844
CHANGE IN NET ASSETS	19,816,452	18,072,739	(9,826,576)
NET ASSETS AT THE BEGINNING OF YEAR	23,308,238	5,235,499	15,062,075
NET ASSETS AT END OF YEAR	43,124,690	23,308,238	5,235,499

THE FIRST MONTH OF THE YEAR 2009

was a very challenging moment for Fonkoze SA and Sèvis Finansye Fonkoze (herein collectively "Fonkoze"). Tropical storms had ripped through Haiti in the fall of 2008 and our clients were struggling. Although we had successfully restructured the loans of storm-affected clients with *Kredi Siklòn*, Fonkoze's balance sheet was filled with short-term debt and cash balances were low. With the global financial crisis playing out simultaneously, management feared the inability to access capital and decided to stop enrolling new members. Cash was managed tightly for the next six months.

These actions dramatically improved Fonkoze's balance sheet throughout the year, and put the institution on a very solid footing. The company paid down lines of credit and decreased its exposure to long term debt. Lower



**Jean Louisius
Jean Paul**
Chief Accountant,
Sèvis Finansye
Fonkoze

amounts of borrowing led to substantially lower interest expense. Although still recording a loss, Fonkoze had, by far, its best year since inception. 2009's loss was 51% less than in 2008. By the end of the year, SFF was approaching monthly break-even.

Interest income fell 1.4% on a slightly lower overall outstanding loan portfolio size than in 2008. Yield on the gross loan portfolio, an important measure to the productivity of capital dedicated to the loan portfolio, rose by about 6% to 46.3%. Portfolio quality was not dramatically worse in 2009 but a significant number of write-offs from the 2008 hurricane season occurred in 2009, increasing loan losses. An increase in the number of branches and strong continued growth in the business led to a dramatic 65.6% increase in income from remittance services.

FONKOZE S.A. & SUBSIDIARY SÉVIS FINANSYE FONKOZE

Consolidated Balance Sheet

All amounts expressed in Haitian gourdes (HTG)

	2009 42.0193 HTG/USD	2008 39.8176 HTG/USD	2007 36.7844 HTG/USD
ASSETS			
CASH AND CASH EQUIVALENTS	73,962,850	71,985,036	67,762,540
INVESTMENTS	8,798,126	7,299,867	6,238,615
ACCOUNTS RECEIVABLE	60,616,673	40,609,623	29,944,616
ACCOUNTS RECEIVABLE LOANS	298,210,170	326,623,761	265,458,968
Less allowance for Loan Loss	(17,128,747)	(26,935,726)	(15,610,718)
Loans, net	281,081,423	299,688,035	249,848,250
FIXED ASSETS	115,280,112	92,848,280	84,179,003
Accumulated depreciation	(81,010,994)	(67,626,278)	(54,401,712)
Fixed assets, net	34,269,118	25,222,002	29,777,291
Other Assets	66,753,850	62,406,133	40,668,801
TOTAL ASSETS	525,482,040	507,210,696	424,240,113
LIABILITIES AND SHAREHOLDERS' EQUITY			
BANK OVERDRAFTS	-	1	71,245,726
DEPOSITS	463,446,752	393,014,284	307,492,835
NOTES PAYABLE			
Long term subordinated notes	74,448,951	156,204,881	84,945,180
OTHER LIABILITIES	7,872,536	6,677,152	10,958,338
TOTAL LIABILITIES	545,768,239	555,896,318	474,642,079
SHAREHOLDER'S EQUITY			
Capital stock, par value, HTG 50	71,136,787	50,404,300	41,656,174
Additional paid in capital	70,521,725	51,572,710	35,588,241
Retained earnings (deficit)	(163,338,884)	(151,229,474)	(127,803,265)
Accumulated other comprehensive gain (loss)	1,394,173	566,842	156,884
TOTAL SHAREHOLDERS' EQUITY	(20,286,199)	(48,685,622)	(50,401,966)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	525,482,040	507,210,696	424,240,113

In 2008, Fonkoze took steps to reduce costs and control salaries while sharing additional resources with the Foundation, which benefited both institutions. In 2009, the result for SFF was a decrease in overall salaries as a percentage of financial revenue from 83.9% to 76.6%. The successful cost cutting efforts decreased non-payroll costs by 26.5%.

As the year ended, Fonkoze was on the cusp of profitability. Although the earthquake has dramatically changed the expected date of profitability, the financial challenges of the beginning of 2009 are a distant memory. The fundamental challenge, to finally achieve consistent profitability, is well within reach. The progress achieved by SFF in 2009 has laid the groundwork for strong performance in the years to come.

Consolidated Income Statement

All amounts expressed in Haitian gourdes (HTG)

	2009 41.196 HTG/USD	2008 39.1070 HTG/USD	2007 36.8614 HTG/USD
TOTAL INTEREST INCOME (LOANS AND OTHER)	119,056,492	121,668,813	93,505,551
INTEREST EXPENSES			
Deposit and debt	(12,232,580)	(26,717,719)	(14,665,345)
NET INTEREST INCOME	106,823,912	94,951,094	78,840,206
Provision for loan losses	(23,608,970)	(10,419,899)	(44,230,902)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	83,214,942	84,531,195	34,609,304
OTHER OPERATING INCOME (EXPENSES)			
Income from currency exchange	17,918,056	17,579,583	22,312,092
Income from remittance services	6,039,972	3,646,527	1,716,524
Membership Dues	584,190	2,963,750	2,904,842
Gain (loss) due to revaluation	(6,180,533)	141,722	(9,629,238)
Gain (loss) on investment	986,048	-	(1,877,180)
Other	18,829,876	1,006,893	2,298,230
NET INTEREST INCOME AND OTHER INCOME	121,392,551	109,869,670	52,334,574
OPERATING EXPENSES			
Salaries and other employee benefits	92,933,218	100,836,780	72,442,395
Premises and equipment expenses	22,988,864	22,530,857	20,562,558
Depreciation	12,146,952	13,556,296	14,868,799
Other expenses	21,791,252	41,376,926	29,609,754
TOTAL OPERATING EXPENSES	149,860,286	178,300,859	137,483,506
NET INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAX	(28,467,735)	(68,431,189)	(85,148,932)
PROVISION FOR INCOME TAX	2,409,423	4,198,143	36,661,503
NET LOSS FROM OPERATIONS	(26,058,312)	(64,233,046)	(48,487,429)
OTHER INCOME (EXPENSE) Gain (loss) on revaluation of assets	(1,125,083)	(509,764)	5,261,267
Hurricane recovery grant	15,073,985	41,316,601	-
NET LOSS FROM OPERATIONS	(12,109,410)	(23,426,209)	(43,226,162)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	(151,229,474)	(127,803,265)	(84,577,103)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	(163,338,884)	(151,229,474)	(127,803,265)

AS FONKOZE'S WORK IN HAITI GREW

in 2009, Fonkoze USA also grew remarkably during the year. Loans and grants increased to their highest level ever, while administrative and fundraising costs remained low. Although Fonkoze USA represents the entire family to the United States at speaking events, conferences, and forums, it has achieved remarkably results without spending a large amount of funding in the United States. In fact, the high ratio of grants made to costs incurred has contributed to the Charity Navigator award of the highest rating of four stars.



Leigh Carter
Executive Director,
Fonkoze USA

In a year when almost half the Fonkoze USA loan fund came up for renewal, over 95% of our investors renewed their loans with us. \$1,797,934 was granted for program services, an increase of 50.4% over 2008. 96.7% of grants went to Fonkoze or Fonkoze related programs while 3.3% was granted to Fonkoze USA's development partners in Haiti.

Of a total of \$2,110,893 in grants and expenses incurred by Fonkoze USA in 2009, 85% went to program services, 9% for administrative costs, and 6% for fundraising activities. While delivering such a large

FONKOZE USA

Consolidated Balance Sheet

All amounts expressed in US Dollars

	2009	2008	2007
CURRENT ASSETS			
Cash and cash equivalents	615,583	250,132	274,199
Interest receivable	1,765	36,906	21,787
Loans receivable - current portion	451,100	765,150	237,600
Prepaid expenses	2,434	4,094	1,952
Other receivables	52,366	57,728	6,652
TOTAL CURRENT ASSETS	1,123,248	1,114,010	542,190
PROPERTY AND EQUIPMENT			
Software	7941	7,941	7,941
Less: Accumulated Depreciation	(5,515)	(2,868)	(221)
	2,426	5,073	7,720
INVESTMENTS	186,954	68,652	71,373
Grants Receivable	40,000	60,000	-
LOANS RECEIVABLE - less current portion	1,678,050	1,150,100	1,762,560
TOTAL ASSETS	3,030,678	2,397,835	2,383,843
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	5,512	11,557	17,841
Grants payable	91,495	-	77,739
Interest Payable	-	2,700	-
Loans payable - investors, current portion	456,100	802,150	252,600
TOTAL CURRENT LIABILITIES	553,107	816,407	348,180
LOANS PAYABLE - INVESTORS, less current	1,698,050	1,148,100	1,777,560
TOTAL LIABILITIES	2,251,157	1,964,507	2,125,740
NET ASSETS			
Unrestricted	659,911	274,094	177,522
Unrestricted - Board designated	72,610	58,087	58,777
Temporarily Restricted	-	79,147	21,804
Permanently Restricted	47,000	22,000	-
TOTAL NET ASSETS	779,521	433,328	258,103
TOTAL LIABILITIES AND NET ASSETS	3,030,678	2,397,835	2,383,843

amount of money raised to program services in 2009, the organization was still able to contribute significantly to a Board-designated endowment fund, which will ensure that Fonkoze's commitment is permanent through even the most difficult times.

Fonkoze held significantly more cash on its balance sheet as of December 31, 2009. As an intermediary with tax-exempt status in the United States, Fonkoze USA processes many of the key legal requirements for grant money flowing to Fonkoze in Haiti. At times, Fonkoze USA holds a slightly larger than normal amount of money on its balance sheet prior to distributions of fund-

ing. The organization always holds some cash to manage expenses related to Fonkoze USA activities and to make rapid grants to Fonkoze in Haiti on an emergency basis.

Consolidated Income Statement

All amounts expressed in US Dollars

	2009	2008	2007
REVENUES			
Contributions & Grants	2,351,855	1,575,591	866,188
Conference Income	-	24,851	-
Interest and dividend income	55,851	54,027	47,802
Delegation Income	39,050	22,300	10,490
Realized gain (loss) on investments	(8,930)	1,476	(2,328)
Unrealized gain (loss) on investments	19,205	(23,269)	3,958
Other income	55	2,038	1
Net assets released from restrictions:	-	-	-
TOTAL REVENUES	2,457,086	1,657,014	926,111
EXPENSES			
PROGRAM SERVICES			
Grants to Fondasyon Kole Zepol	1,494,224	928,269	425,436
Grants to Haiti Development Partners	59,496	89,090	63,948
Education	110,630	127,277	167,498
Other Program Expenses	133,584	50,633	18,466
TOTAL PROGRAM SERVICES	1,797,934	1,195,269	675,348
SUPPORTING SERVICES			
Fundraising	118,450	110,029	142,870
administration	194,509	176,491	86,222
TOTAL SUPPORTING SERVICES	312,959	286,520	229,092
TOTAL EXPENSES	2,110,893	1,481,789	904,440
CHANGE IN NET ASSETS	346,193	175,225	21,671
NET ASSETS AT BEGINNING OF YEAR	433,328	258,103	236,432
NET ASSETS AT END OF YEAR	779,521	433,328	258,103

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Year	Number of Branch Offices	Number of Employees	Number of Loan Clients	Number of Depositors	Value of Deposits	Value of Loans Outstanding
1996	1	9	110	193	\$78,387	\$23,234
2000	16	130	4,794	13,260	\$1,716,090	\$938,527
2005	26	486	31,090	94,342	\$7,479,011	\$5,936,728
2009	41	743	45,344	198,740	\$14,539,276	\$8,662,041



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