

FONDASYON KOLE ZEPÒL

(FONKOZE)

FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

FONDASYON KOLE ZEPÒL

(FONKOZE)

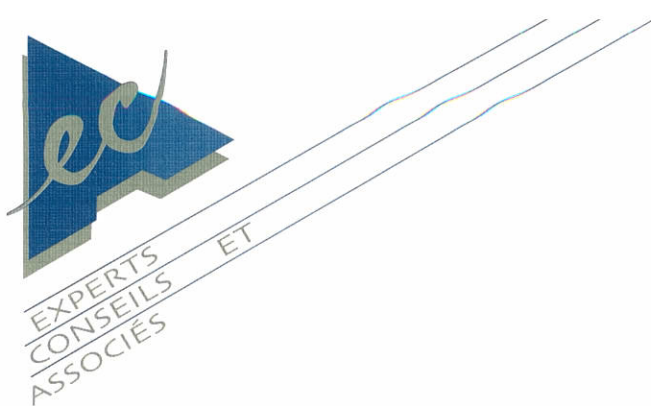
FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

Table of Contents

Pages

Independent Auditor Report	1 – 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenditures	6 – 7
Notes to the Financial Statements	8 – 21



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
FONDASYON KOLE ZEPÒL
(FONKOZE)
Port-au-Prince, Haiti**

We have audited the accompanying financial statements of Fondasyon Kole Zepòl (Fonkoze), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to FONKOZE's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FONKOZE's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fondasyon Kole Zepòl (Fonkoze) as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Experts Conseils et Associés
Chartered Accountants
Pétion-Ville, June 19, 2020



FONDASYON KOLE ZEPÒL
(FONKOZE)
Statements of Financial Position
(Expressed in Gourdes)

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Current Assets			
Cash and cash equivalents	Note 2	G 132,459,570	G 89,805,775
Term deposits	Note 3	33,119,151	-
Investments	Note 4	6,898,815	5,789,110
Prepaid expenses		1,756,609	2,126,694
Grant receivables	Note 5	57,174,566	40,864,754
Other receivables	Note 6	5,092,620	1,637,786
Loans, net of allowance for loan losses	Note 7	<u>10,099,743</u>	<u>15,775,749</u>
Total Current Assets		<u>246,601,074</u>	<u>155,999,868</u>
Long Term Assets			
Fixed assets, net of accumulated depreciation	Note 8	10,285,387	8,721,318
Other assets	Note 9	<u>7,127,949</u>	<u>9,415,157</u>
Total Long Term Assets		<u>17,413,336</u>	<u>18,136,475</u>
TOTAL ASSETS		<u>G 264,014,410</u>	<u>G 174,136,343</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Notes payables - current portion	Note 10	459,921	308,753
Other liabilities	Note 11	<u>8,625,523</u>	<u>15,942,666</u>
Total Current Liabilities		<u>9,085,444</u>	<u>16,251,419</u>
Long Term Liabilities			
Deferred contributions	Note 12	94,221,065	30,096,710
Notes payables - long term portion	Note 10	91,984	154,376
Promissory notes	Note 13	<u>101,041,253</u>	<u>103,791,253</u>
Total Long Term Liabilities		<u>195,354,302</u>	<u>134,042,339</u>
TOTAL LIABILITIES		<u>204,439,746</u>	<u>150,293,758</u>
Net Assets			
Unrestricted		(49,305,176)	(60,808,930)
Temporarily restricted - Net Assets		<u>108,879,840</u>	<u>84,651,514</u>
Total Net Assets		<u>59,574,664</u>	<u>23,842,584</u>
TOTAL LIABILITIES AND NET ASSETS		<u>G 264,014,410</u>	<u>G 174,136,343</u>

The accompanying notes are an integral part of these financial statements

FONDASYON KOLE ZEPÒL
(FONKOZE)

4

Statements of Activities and Changes in Net Assets
(Expressed in Gourdes)

	Notes	December 31, 2019			December 31, 2018		
		Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Revenues							
Revenues from donors							
Grants revenues from donors		G 362,437,800	G 45,962,219	G 408,400,019	G 359,869,093	G 34,482,779	G 394,351,872
Total of Revenues from donors		<u>362,437,800</u>	<u>45,962,219</u>	<u>408,400,019</u>	<u>359,869,093</u>	<u>34,482,779</u>	<u>394,351,872</u>
Sales revenue - Boutik Santé		24,928,759	-	24,928,759	17,400,078	-	17,400,078
Impact monitoring services - SFF		-	2,750,000	2,750,000	-	2,750,000	2,750,000
Interest Income		-	539,851	539,851	-	571,481	571,481
Other income	Note 14	<u>3,170,165</u>	<u>1,465,247</u>	<u>4,635,411</u>	<u>4,417,377</u>	<u>6,309,882</u>	<u>10,727,259</u>
Total Income		<u>28,098,924</u>	<u>4,755,098</u>	<u>32,854,022</u>	<u>21,817,455</u>	<u>9,631,363</u>	<u>31,448,818</u>
Total Revenues		<u>390,536,724</u>	<u>50,717,317</u>	<u>441,254,041</u>	<u>381,686,548</u>	<u>44,114,142</u>	<u>425,800,690</u>
Other Operating Income (expenses)							
Gain or loss due to exchange rate		-	8,448,815	8,448,815	-	4,661,900	4,661,900
Total Other Operating Income (Expenses)		<u>-</u>	<u>8,448,815</u>	<u>8,448,815</u>	<u>-</u>	<u>4,661,900</u>	<u>4,661,900</u>
Net Total Revenues and Other Operating Income		<u>390,536,724</u>	<u>59,166,132</u>	<u>449,702,856</u>	<u>381,686,548</u>	<u>48,776,042</u>	<u>430,462,590</u>
Expenditures							
Sante		213,196,860	-	213,196,860	197,232,523	-	197,232,523
Alfa		9,461,140	-	9,461,140	23,331,128	-	23,331,128
CLM		111,747,112	-	111,747,112	102,838,518	-	102,838,518
Empak Social (ENSO)		12,566,391	-	12,566,391	9,110,305	-	9,110,305
Zafen		17,790,140	-	17,790,140	44,089,164	-	44,089,164
Other projects		1,546,756	-	1,546,756	2,749,152	-	2,749,152
Central		-	47,662,378	47,662,378	-	38,264,587	38,264,587
Total expenditures		<u>366,308,398</u>	<u>47,662,378</u>	<u>413,970,776</u>	<u>379,350,791</u>	<u>38,264,587</u>	<u>417,615,378</u>
Changes in Net Assets		24,228,326	11,503,754	35,732,080	2,335,757	10,511,455	12,847,212
Net Assets, at beginning of the year		84,651,514	(60,808,930)	23,842,584	90,811,392	(71,320,385)	19,491,007
Adjustment to Net assets		<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,495,635)</u>	<u>-</u>	<u>(8,495,635)</u>
Net Assets, at the end of the year		<u>G 108,879,840</u>	<u>G (49,305,176)</u>	<u>G 59,574,664</u>	<u>G 84,651,514</u>	<u>G (60,808,930)</u>	<u>G 23,842,584</u>

The accompanying notes are integral part of the financial Statements

**FONDASYON KOLE ZEPÒL
(FONKOZE)**

Statements of Cash Flows

(Expressed in Gourdes)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Increase in net assets	G 35,732,080	G 12,847,212
Operating activities		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,686,300	5,725,981
Adjustment in Net Assets	-	(8,495,635)
(Increase) decrease in:		
Term deposits	(33,119,152)	-
Prepaid expenses	370,085	2,250,201
Grants receivable	(16,309,812)	70,699
Other receivable	(3,454,835)	707,019
Loans	5,676,006	7,938,227
Other Assets	2,287,208	9,742,160
Increase (decrease) in:		
Other Liabilities	(7,317,144)	(6,926,609)
Deferred contributions	64,124,355	(27,226,790)
Net cash provided (used) by operating activities	<u>16,943,012</u>	<u>(16,214,748)</u>
Investing activities		
Acquisition of fixed assets	(6,250,369)	(2,036,270)
Proceeds of disposition	-	66,386
Decrease (Increase) in Investments	(1,109,705)	(1,012,577)
Net cash used in investment activities	<u>(7,360,074)</u>	<u>(2,982,461)</u>
Financing activities		
(Decrease) in Notes payable - current portion	151,168	(73,370)
Increase in Notes payable - long term portion	(62,392)	27,002
(Decrease) in Promissory Notes	(2,750,000)	(2,750,000)
Net cash provided (used) by financing activities	<u>(2,661,224)</u>	<u>(2,796,368)</u>
Net Increase (Decrease) in cash	<u>42,653,795</u>	<u>(9,146,365)</u>
Cash and bank, at beginning of period	<u>89,805,775</u>	<u>98,952,140</u>
Cash and bank, at end of period	<u>G 132,459,570</u>	<u>G 89,805,775</u>

The accompanying notes are an integral part of these financial statements

FONDASYON KOLE ZEPÒL**(FONKOZE)****Statements of Functional Expenses****(Expressed in Gourdes)****For the year ended December 31, 2019**

	RESTRICTED FUNDS						UNRESTRICTED FUNDS		
	SANTE	ALFA	CLM	ENSO	ZAFEN	OTHERS ⁽¹⁾	Total	CENTRAL	TOTAL
Salaries and fringe benefits	G 46,230,562	G 1,805,775	G 35,877,544	G 6,391,845	G 5,631,949	G 1,546,756	G 97,484,431	G 28,567,886	G 126,052,317
Rent	8,156,451	73,213	2,819,701	548,272	556,589	-	12,154,225	4,129,491	16,283,716
Utilities and equipment expenses	1,014,592	-	2,357,253	-	-	-	3,371,845	-	3,371,845
IT costs and communication	2,196,962	202,480	1,213,169	296,230	427,332	-	4,336,174	1,490,776	5,826,949
Transportation expenses	46,537,045	2,299,773	18,516,758	2,695,765	2,409,195	-	72,458,536	5,222,910	77,681,447
Professional fees	39,987,156	3,818,560	7,418,489	570,115	6,622,587	-	58,416,906	1,793,744	60,210,650
Promotion	139,634	-	-	-	-	-	139,634	474,487	614,120
Investments	8,073,379	-	2,975,860	16,485	-	-	11,065,724	(5,362,856) ⁽¹⁾	5,702,868
Program operations	56,249,218	1,093,915	23,549,364	125,030	87,923	-	81,105,450	88,270	81,193,720
Audit and evaluation	3,072,294	-	13,854,069	1,700,988	37,900	-	18,665,251	882,031	19,547,282
Other expenses	1,539,568	167,423	3,164,905	221,660	2,016,665	-	7,110,221	5,689,340	12,799,561
Depreciation expenses	-	-	-	-	-	-	-	4,686,300	4,686,300
	<u>G 213,196,860</u>	<u>G 9,461,140</u>	<u>G 111,747,112</u>	<u>G 12,566,391</u>	<u>G 17,790,140</u>	<u>G 1,546,756</u>	<u>G 366,308,398</u>	<u>G 47,662,378</u>	<u>G 413,970,776</u>

(1) Acquisition of assets are initially recorded as investment expenses in the related projects. Except for the assets purchased with U.S. Government funds, they are subsequently being deducted from expenses and are transferred to fixed assets as they will remain property of the company.

FONDASYON KOLE ZEPÒL

(FONKOZE)

Statements of Functional Expenses

(Expressed in Gourdes)

For the year ended December 31, 2018

	RESTRICTED FUNDS						UNRESTRICTED FUNDS		
	SANTE	ALFA	CLM	ENSO	ZAFEN	OTHERS ⁽¹⁾	Total	CENTRAL	TOTAL
Salaries and fringe benefits	G 34,093,160	G 8,917,362	G 34,283,599	G 4,721,160	G 8,365,647	G 708,980	G 91,089,908	G 20,602,006	G 111,691,914
Rent	3,588,340	351,459	3,881,429	164,532	1,387,954	-	9,373,715	2,514,555	11,888,271
Utilities and equipment expenses	634,912	-	588,911	-	-	103,058	1,326,882	44,323	1,371,205
IT costs and communication	2,585,494	296,659	1,257,610	211,878	626,253	345,030	5,322,924	1,101,441	6,424,365
Transportation expenses	38,696,897	5,329,314	18,630,507	2,180,495	3,745,728	190,000	68,772,940	1,159,277	69,932,216
Professional fees	57,533,016	1,724,443	2,638,166	320,544	25,369,009	-	87,585,178	1,368,506	88,953,684
Promotion	856,221	1,003,093	-	-	-	-	1,859,314	246,201	2,105,515
Investments	8,068,920	-	3,247,602	25,979	10,525	-	11,353,026	(1,447,848) ⁽¹⁾	9,905,178
Program operations	46,955,788	5,598,956	30,571,873	565,241	29,387	-	83,721,245	6,240	83,727,485
Audit and evaluation	3,958,346	-	5,194,504	663,203	96,342	-	9,912,395	1,750,023	11,662,418
Other expenses	261,429	109,843	2,544,318	257,273	4,458,318	1,402,084	9,033,266	5,193,882	14,227,148
Depreciation expenses	-	-	-	-	-	-	-	5,725,981	5,725,981
	<u>G 197,232,523</u>	<u>G 23,331,128</u>	<u>G 102,838,518</u>	<u>G 9,110,305</u>	<u>G 44,089,164</u>	<u>G 2,749,152</u>	<u>G 379,350,791</u>	<u>G 38,264,587</u>	<u>G 417,615,378</u>

⁽¹⁾ Acquisition of assets are initially recorded as investment expenses in the related projects. Except for the assets purchased with U.S. Government funds, they are subsequently being deducted from expenses and are transferred to fixed assets as they will remain property of the company.

FONDASYON KOLE ZEPÒL

(FONKOZE)

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2019 and 2018

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Fonkoze Foundation is a Haitian non-profit organization founded in 1994 by Fr. Joseph Philippe and a group of grassroots Haitian organizations with the aim of providing access to financial services and technical assistance to grassroots organizations. The Foundation started Fonkoze's microfinance programs and in collaboration with other investors created Sèvis Finansye Fonkoze (SFF) in 2004 to expand their work on a sustainable basis.

The Fonkoze Foundation is part of a family of organizations that are collectively referred to as **Fonkoze**. Fonkoze works in an integrated manner to offer a holistic approach to reducing poverty in Haiti. In addition to the Fonkoze Foundation, the Fonkoze family includes Fonkoze S.A., Sevis Finansye Fonkoze, S.A., and Fonkoze USA.

Fonkoze S.A. is the holding company of SFF. Sèvis Finansye Fonkoze, S.A. ("SFF"), the operating subsidiary of Fonkoze, S.A., is a Haitian for-profit, joint-stock company that operates as a microfinance institution, with a network of 45 branches located throughout Haiti.

Fonkoze USA is an American 501(c) (3) non-profit organization founded in 1997 to raise funds (donations, grants, and loans) and to provide financial and technical resources to SFF, the Foundation, and its other Haitian partners. In addition, Fonkoze USA raises awareness of the work of its partners, and leads communication efforts for the Fonkoze Family.

Together the three organizations share the same mission of working together to provide financial and non-financial services to empower Haitians – primarily women – to lift their families out of poverty.

The role of the Foundation in the Fonkoze Family is to work with its members and with all who want to work together to allow them to access quality financial services and accompaniment in order to create more prosperity for their family and for their communities.

Accounting Principles

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America and the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Revenue from donors

Unconditional promises to give are recognized as revenue when the underlying promises are received by Fonkoze. Contributions are then recognized upon notification of commitment from the donor.

Contributions that are restricted by the donor are reported as differed contributions if they are received with donor stipulations that limit the use of the donated assets. Income is recognized progressively as the obligations are met and proportionally to the costs of meeting the obligations.

Sales revenues

Sales revenues are composed of health products sales and are recorded on cash basis.

In-kind Contributions

Donated services and supplies are included in the statement of activities when the services received create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not donated. These services and supplies are recorded at their fair value at the date of donation. There were no in-kind contributions during the year ended December 31, 2019 .

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires the company’s management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant estimates relate to the allowance of doubtful accounts, depreciation and amortization, and income taxes.

Grants receivable

Grants receivable are composed of unconditional promises to give that are recognized as revenue upon notification of commitment from the donor.

Fonkoze does not recognize conditional promises to give as receivable. Fonkoze recognizes a receivable only to the extent that the condition has been satisfied.

Other accounts receivables

Other accounts receivables consist of other miscellaneous receivable amounts. The Organization believes these are all collectible and therefore has made no allowance for doubtful accounts.

Loans and allowance for loan losses

Loans are recorded in the financial statements at their unpaid principal amounts, net of the allowance for loan losses. Interests on loans are recognized on a cash basis.

The allowance for loan losses presented in the statement of financial position represents an estimate determined by management based on specific rates of provisions applied by Sèvis Financial Fonkoze to past due loans as follows:

. Current loans	0%
. 1 – 30 days past due	5%
. 31 – 60 days past due	25%
. 61 – 90 days past due	50%
. d'us 91 – 180 days past due	75%

Loans for which payments are past due more than 181 days are written off from the books.

The provision for loan losses reflected in the statement of activities represents the amounts required to adjust the allowance for loan loss to the level deemed adequate by management.

Investments

Investments are composed of investments in FONKOZE S.A. and an insurance company. The investment maintained at FONKOZE S.A is accounted for using the equity method. The investment in the insurance company is recorded at cost.

Fixed Assets

Furniture, equipment and vehicles are initially recorded as expenses. Assets that will remain property of Fonkoze are then transferred to fixed assets and are recorded at acquisition cost. Fonkoze capitalizes additions that exceed \$ 500. Donations of property and equipment, when applicable, are recorded as contributions at their estimated fair market value.

Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

. Vehicles	5 years
. Equipments	4 years
. Computers	2 years

Furniture, equipment and vehicles purchased with U.S. Government funds are recorded as expenses and are not capitalized.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in local bank accounts or U.S. bank accounts, which, at times, may exceed federally insured limits. No restricted cash is maintained in cash and cash equivalents.

Cash and cash equivalents maintained at local bank accounts are not covered by insurance.

Conversion in Foreign Currencies

The functional currency of Fonkoze is the Haitian gourde (Gourdes). Consequently, monetary assets and liabilities stated in foreign currencies are converted in Haitian gourdes at the exchange rate prevailing at year-end. Gains and losses resulting from these conversions are recorded in the statement of activities.

Transactions incurred in foreign currencies are converted at the exchange rate in effect at the transaction date. Gains and losses on foreign exchange transactions are reported in the statement of activities.

The official exchange rates published by the “Banque de la Republique d’Haiti”, Haiti’s Central bank, as of December 31, 2019 and 2018 were 91.9842 and 77.1881 Haitian gourdes to one U.S. dollar, respectively.

Net Assets

Fonkoze’s net assets, revenues/gains, and expenses are classified as temporarily restricted and unrestricted based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

- . Temporarily restricted net assets contain donor-imposed restrictions that permit Fonkoze to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Fonkoze.
- . Unrestricted net assets are free of restrictions at initiation, or the donor-imposed restrictions have expired.

Income Taxes

The Financial Accounting Standards Board (FASB) has issued FASB ASC 740-10-50, Income Taxes (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*) which requires entities to disclose known or anticipated positions of income tax uncertainty. According to its status as a non-profit organization incorporated under Haitian law, Fonkoze is exempt from income taxes.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following :

	<u>December 31, 2019</u>	<u>December 31,2018</u>
. Accounts held in US banks	G 16,409,094	G 25,823,993
. Accounts held in Haitian banks	85,102,113	25,970,774
. Accounts held in Sevis Finansye Fonkoze	<u>30,948,363</u>	<u>38,001,008</u>
Total	<u>G 132,459,570</u>	<u>G 89,805,775</u>
. Deposits in U.S dollars	G 97,994,855	G 48,913,253
. Deposits in Haitian gourdes	<u>34,464,715</u>	<u>40,892,522</u>
Total	<u>G 132,459,570</u>	<u>G 89,805,775</u>

As of December 31, 2019, deposits held in U.S banks are insured by the Federal Deposit Insurance Corporation (FDIC) for an amount up to \$ 500,000. Therefore, all accounts maintained at US banks are fully insured at year-end.

NOTE 3 – TERM DEPOSITS

As of December 31, 2019, the amount of 33,119,151 represents term deposits maintained by Fonkoze at Sevis Finansye Fonkoze as follows:

- Term deposit of \$ 251,563 equivalent to G 23,139,775 for a period of six (6) months ending June 11, 2020 at the rate of 1.25%.
- Term deposit of \$ 108,490 equivalent to G 9,979,376 for a period of six (6) months ending June 13, 2020 at the rate of 1.30%.

NOTE 4 – INVESTMENTS

Investments at December 31, 2019 and 2018, consisted of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
· Microinsurance Catastrophic Risk Organization (MiCRO) ⁽¹⁾	G 6,898,815	G 5,789,110
· Fonkoze SA ⁽²⁾	_____ -	_____ -
Total	<u>G 6,898,815</u>	<u>G 5,789,110</u>

- ⁽¹⁾ As of December 31, 2019, Fonkoze's investment in MiCRO represents 2% interest in the common shares of the company, which operates as a licensed (re)insurance company that issues (re)insurance protections for catastrophic events.

The shares of MiCRO are traded among a limited circle of entities which share the common interest of helping the segment of population in under developed countries which do not have access to credit through regular channel. Although the book value of the shares are lower than their cost, they are maintained at the cost of \$US1 per share, which is the cost at which the shares are traded among participants in this market for the total cost of \$75,000. Accordingly, the investment of Fonkoze has been valued at cost rather than using the equity method or consolidation for an amount of US\$75,000 equivalent to G 6,898,815 and G 5,789,110 respectively as of December 31, 2019 and 2018. The difference is due to changes in exchange rates, as follows:

	<u>MiCRO</u>
January 1, 2019	G 5,789,110
Total gains and losses - unrealized included in gain or loss on reevaluation	_____ 1,109,705
December 31, 2019	<u>G 6,898,815</u>

- ⁽²⁾ FONKOZE holds a 20% interest in non voting-shares of the holding company FONKOZE S.A. The value of this investment is determined using the equity method which requires that the original value of the investment be adjusted for Fonkoze SA's changes in equity for the period. Due to the accumulated loss recorded by FONKOZE S.A. since 2012, the Organization's carrying value of this investment was decreased to nil as of December 31, 2019 and 2018.

NOTE 5 – GRANT RECEIVABLE

As a Foundation, FONKOZE has signed several agreements with various donors. As per the accounting policy of the Foundation, the revenues from the grants are recognized upon notification of commitment from the donor.

The table below indicates the movements for grants signed and funds received during the year ended December 31, 2019, with the resulting grant receivable balance as of December 31, 2019:

	Grants receivable as of December 31, 2018	Grant Agreements signed and contributions earned during the year ended December 31, 2019	Amounts received during the year ended December 31, 2019	Grant receivables as of December 31, 2019
<u>US Dollars</u>				
Fonkoze USA / Capacity Building 2015	\$ 150,000	\$ -	\$ -	\$ 150,000
FKZ USA/ Capacity Building 2016	155,000	-	-	155,000
FKZ USA/ Capacity Building 2018	100,000	-	100,000	-
FKZ USA/The Kellogg Foundation-Education 2018	17,443	8,909	26,352	-
Haitian Timoun Foundation	36,852	-	36,852	-
FKZ USA/ Vibrant Village Foundation	6,163	-	6,163	-
USAID / AKSYON	63,959	-	63,959	-
Haitian Timoun Foundation		29,034	-	29,034
FKZ USA/ Vibrant Village Foundation		4,715	-	4,715
FKZ USA/Women Empowerment Int'l		11,330	-	11,330
FKZ USA/Collis Warner		19,694	-	19,694
OID/Medicor Foundation-Sante		5,125	-	5,125
Food for the Poor / ALFA		194	-	194
FKZ USA/ Malzone		4,503	-	4,503
Sisters Of Mercy -CLM		39,461	-	39,461
FKZ USA/CLM other		2,513	-	2,513
FKZ USA/ Capacity Building 2019		<u>300,000</u>	<u>100,000</u>	<u>200,000</u>
Total	<u>\$ 529,417</u>	<u>\$ 425,478</u>	<u>\$ 333,326</u>	<u>\$ 621,569</u>
Gourdes Exchange Rate	77.1881	88.6827	88.6827	91.9842
Gourdes Equivalent (effective rate)	<u>G 40,864,692</u>	<u>G 37,732,575</u>	<u>G 29,560,251</u>	<u>G 57,174,566</u>
Effect of Reevaluation	<u>7,833,307</u>	<u>1,404,717</u>	<u>1,100,475</u>	
General Total in Gourdes	<u>G 48,697,999</u>	<u>G 39,137,292</u>	<u>G 30,660,725</u>	<u>G 57,174,566</u>

NOTE 6 – OTHER RECEIVABLES

As of December 31, 2019 and 2018, other receivables are composed of the followings:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivable from SFF ⁽¹⁾	G 1,093,962	G 571,507
Other receivable from Fonkoze USA ⁽²⁾	57,450	378,314
Interest receivables on employees' loans ⁽³⁾	95,885	-
Other receivables – KIVA	241,829	-
Other receivables ⁽³⁾	<u>3,603,495</u>	<u>687,965</u>
Total	<u>G 5,092,620</u>	<u>G 1,637,786</u>

(1) This amount includes the following:

- In June 2014, the SFF board agreed by a resolution to pay a fee of G 15 on each SFF Solidarity Loan as contributions to the Foundation. As December 31, 2019, the related amount receivable for this contribution is G 458,385 and represents accruals for the months of April to September 2019. Since October 1st, 2019, the Solidarity Loan contributions were suspended by SFF.
- Other receivables for an amount of G 593,532 which represents salaries payment incurred by Fondasyon Kole Zepòl for employees supported partly by SFF and Fondasyon Kole Zepòl. The portion supported by SFF was accounted for as receivable.
- Other receivables for an amount of G 42,045 which represents other expenses incurred by Fondasyon Kole Zepòl for SFF.

(2) The amount of G 57,450 represents per diem and transportation expenses incurred by Fondasyon Kole Zepòl for Fonkoze USA.

(3) This amount includes the following:

- An amount of G 1,911,512 which represents the remaining balance for a special loan granted to employees for the acquisition of solar kits for a period of twelve (12) months and which carries interest at 5%. Repayments are made through salaries' deductions. Interest receivable related to this loan as of December 31, 2019 is for an amount of G 95,885.
- The amount of G 1,691,983 represents mostly other loans or salaries advances to employee and other miscellaneous receivables.

NOTE 7 – LOANS

The component of loans by segment as of December 31, 2019 and 2018 is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Zafen loans under Kiva Partnership	G 7,110,571	G 8,780,331
Other Zafen loans	862,556	3,916,872
Zanmi Lasante loans	<u>2,773,516</u>	<u>3,293,811</u>
Total Loans	<u>G 10,746,643</u>	<u>G 15,991,014</u>
Less allowance for loan losses	<u>(646,900)</u>	<u>(215,265)</u>
Net loans	<u>G 10,099,743</u>	<u>G 15,775,749</u>

ZAFEN LOANS UNDER KIVA PARTNERSHIP

In March 13, 2015, Fonkoze entered into an agreement with Kiva Micro funds, a non-profit public benefit corporation. Kiva operates a web-based - P2P lending platform that allows website users throughout the world to connect with individuals or groups in developing countries who receive small loans from organizations.

Under the terms of this agreement, Fonkoze has the ability to post loan requests from borrowers in need of debt capital and Kiva, through one or more donors advised funds (DAF), provides a monthly fundraising limit, as well as a credit limit applicable during the term of the agreement. The initial credit limit was \$200,000. Following an audit of the portfolio, the credit limit was increased to \$400,000 in November 2016. As of December 31, 2019, the remaining unused balance of is not available.

The terms of Kiva loans vary from twelve to twenty four months with zero interest rate and management fees of 18% for the benefit of Fonkoze which provides support to the lenders (training and loan management) as of December 31, 2019.

Fonkoze's management does not establish a loan allowance on the loan portfolio financed by Kiva based on the fact that loan losses are supported by Kiva users, providing that the portfolio is adequately managed and delinquency rates are maintained at a low level.

As of December 31, 2019 the portfolio comprises 196 active clients for loans totaling an amount of G 7,110,571.

OTHER ZAFEN LOANS

The Other Zafen Loans are loans financed by Fonkoze's own funds. The portfolio was created to respond to the demand during the period when Fonkoze did not have any available credit under the KIVA agreement and these funds were also used to finance some loans that were not financed by KIVA.

As of December 31, 2019, the portfolio comprises 2 active clients for loans totaling an amount of G 862,553. Allowance for loan losses was recorded for an amount of G 646,900 based on specific rates of provisions as described in Note 2.

ZANMI LASANTE LOANS

Zanmi Lasante loans are disbursed directly to employees of Zanmi Lasante, Partner in Health, a Haitian affiliate and operational partner of Fondasyon Kole Zepòl's CLM program. The terms of Zanmi Lasante loans are twelve months and interest rate was fixed at 6% per year since September 30, 2017.

As of December 31, 2019, the portfolio comprises eleven (11) loans totaling an amount of G 2,773,516. The Organization does not record an allowance for the Zanmi LaSante due to the low level of risk associated with these loans. These loans are guaranteed by Zanmi Lasante, employer of the lenders for this portfolio.

NOTE 8 - FIXED ASSETS

The summary of property and equipment and the related depreciation at December 31 2019 and 2018, is as follows:

Cost	December 31, 2018		Acquisitions		Disposals		December 31, 2019	
Vehicles	G	24,212,489	G	4,519,438	G	2,647,552	G	26,084,375
Furniture and equipment		1,400,698		-		-		1,400,698
Computer equipment		4,417,539		1,730,931		159,715		5,988,755
	G	30,030,726	G	6,250,369	G	2,807,267	G	33,473,828
Accumulated Depreciation	December 31, 2018		Depreciation		Disposals		December 31, 2019	
Vehicles	G	(16,320,949)	G	(3,673,683)	G	(2,647,552)	G	(17,347,080)
Furniture and equipment		(1,168,539)		(176,368)		-		(1,344,907)
Computer equipment		(3,819,920)		(836,249)		(159,715)		(4,496,454)
	G	(21,309,408)	G	(4,686,300)	G	(2,807,267)	G	(23,188,441)
Fixed Assets Net	G	8,721,318			G	-	G	10,285,387

NOTE 9 - OTHER ASSETS

As of December 31, 2019 and 2018, other assets are composed of the following:

	December 31, 2019		December 31, 2018	
Advance Central	G	1,928,951	G	2,863,108
Stock of books - Alfa Central		2,014,932		879,262
Advances to subgrantees ⁽¹⁾		2,949,506		5,672,787
Other		234,560		-
	G	7,127,949	G	9,415,157

⁽¹⁾ The advances to subgrantees are composed of:

	December 31, 2019		December 31, 2018	
Other subgrantees	G	2,949,506	G	-
ITECA		-		5,672,787
	G	2,949,506	G	5,672,787

NOTE 10 - NOTES PAYABLE

As of December 31, 2019 and 2018, notes payable are composed of the following:

	December 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Payable to investors living abroad with interest at fixed annual percentage rate of zero and maturities between April 23, 2008 to March 31, 2021	G 551,905	G 463,129
Less current portion	<u>(459,921)</u>	<u>(308,753)</u>
Total	<u>G 91,984</u>	<u>G 154,376</u>

⁽¹⁾ Of the total notes payable of G 551,905, G 91,984 will mature until March 31, 2021. No interest is accrued for these loans as the promissory note was signed at the rate of zero (0%).

NOTE 11 - OTHER LIABILITIES

As of December 31, 2019 and 2018, other liabilities are composed of the followings:

	December 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Tax payable (IRI)	G 2,779,492	G 2,069,437
ONA Payable	1,057,686	1,527,188
Insurance and OFATMA payable	468,910	314,356
Employee savings and loan program	725,868	49,032
Other tax payable	31,475	88,134
Payable to Kiva	-	4,870,844
Other payables	<u>3,562,092</u>	<u>7,023,674</u>
	<u>G 8,625,523</u>	<u>G 15,942,665</u>

NOTE 12 - DEFERRED CONTRIBUTIONS

Contributions received and not yet earned are presented as follows:

	Balance of Unearned amounts based on grants received As of December 31, 2018	Amounts received during the year ended December 31, 2019	Expenses Incurred	Unearned amounts based on grants received As of December 31, 2019
In US Dollars				
Swiss Development Cooperation CLM	\$ 77,955	\$ -	\$ (77,955)	\$ -
Whole Planet FDN	10,787	-	(10,787)	-
The Kellogg Foundation - ZAFEN	67,530	65,503	(133,033)	-
Opportunity Int's Deutsh/ FKZ USA Boutik Sante	9,469	-	(9,469)	-
Vibrant Village Foundation / FKZ USA - CLM	-	-	-	-
CLM OTHER FDN	13,366	-	(13,366)	-
The Kellogg Foundation - CLM	28,549	35,741	(64,290)	-
Sister of Mercy -CLM	28,360	-	(28,360)	-
Prosperity Catalyst - ZAFEN	2,940	-	(2,940)	-
Opportunity Int's Deutsh (OID-1) - CLM	62,886	-	(62,886)	-
Opportunity Int's Deutsh (OID-2) - CLM	19,630	117,588	(123,377)	13,840
Opportunity Int's Deutsh BMZ - CLM	59,442	66,124	(104,146)	21,419
Malzone/FKZ USA-SANTE	9,000	-	(9,000)	-
Opportunity Int's Deutsh (OID-3) - CLM	-	98,986	(68,492)	30,494
OID/Medicor Foundation-Boutik Sante	-	94,740	(94,740)	-
McQuade Foundation/FKZ USA-Education	-	23,193	(23,193)	-
Sisters Of Mercy -CLM	-	163,749	(163,749)	-
USAID/AKSYON	-	2,308,585	(2,270,895)	37,689
FKZ USA/ Vibrant Village Foundation	-	24,258	(24,258)	-
Other Pool Donors/ CLM	-	5,899	(5,899)	-
Kaplan Family Foundation/FKZ USA-Education	-	3,600	(3,600)	-
The Kellogg Foundation - ENSO	-	3,670	(3,670)	-
IDS CLM	-	4,722	(4,722)	-
Concern Worldwide- Education	-	7,614	(7,614)	-
Vista Hermosa TAKL- CLM	-	101,934	(51,380)	50,554
Andrew Green Foundation- Education	-	10,685	(10,685)	-
Whole Planet Foundation/ CLM	-	96,230	(33,167)	63,063
FKZ USA-GOAL/ CLM	-	40,000	(3,274)	36,726
Haitian Timoun Foundation-CLM	-	43,088	(43,088)	-
GOAL/ CLM	-	114,338	(113,990)	348
Food for The Poor-CLM	-	10,269	(10,269)	-
Women Empowerment International -Boutik Sante	-	20,485	(20,485)	-
La PAGESSE-School / Other FKZ USA- CLM	-	22,190	(22,190)	-
HTF Summer Camp- CLM	-	17,985	(17,985)	-
FKZ USA- TI KOZE EDUCATION	-	8,719	(4,583)	4,136
The Raskob Foundation/FKZ USA-Education	-	14,348	(8,226)	6,122
Sevis Finansye Fonkoze - Education	-	20,000	(20,000)	-
Global Hunger Foundation - Boutik sante	-	9,000	-	9,000
Chanel Foundation - CLM/SANTE	-	67,760	(55,230)	12,530
Opportunity Int's Deutsh (OID) - Boutik Sante	-	127,983	(112,936)	15,047
KONBIT Papyrus- HR Consultation	-	16,594	(16,594)	-
Fondation Living Water- Education	-	3,883	(3,883)	-
Swiss Development Cooperation- CLM	-	169,200	(169,200)	-
FKZ-USA - Communication	-	19,000	(19,000)	-
Judith Johannes -Thomas Gordon P.Adamson-CLM	-	5,100	(5,100)	-
Food For the Poor -Education	-	18,706	(18,706)	-
FKZ USA- CLM	-	17,632	(17,632)	-
Concern Worldwide- Education	-	8,347	-	8,347
Riverside Presbyterian Church - Education	-	11,988	(8,826)	3,162
Swiss Development Cooperation- Promes/CLM	-	750,000	(38,160)	711,840
Total	\$ 389,913	\$ 4,769,436	\$ (4,135,031)	\$ 1,024,318
Gourdes Exchange Rate	77.1881	88.6827	88.6827	91.9842
Gourdes Equivalent (effective rate)	G 30,096,669	G 422,966,427	G (366,705,715)	G 94,221,065
Reevaluation (year-end rate)	5,769,197	15,746,292	(13,651,805)	-
Total in Gourdes (effective rate)	G 35,865,866	G 438,712,719	G (380,357,520)	G 94,221,065

The revenues from donors of G 408,400,019 as reported in the statement of activities and changes in net assets represent the total of the amount of G 366,705,715 (equivalent to \$ 4,135,031) presented as total expenses incurred in the schedule of Deferred Contributions and the total amount of G 37,732,575 (equivalent to \$ 425,478) of contributions earned as presented in the schedule of Grants Receivable (Note 4). The difference of G 3,961,728 is due to other contributions for a total amount of G 1,452,336 and exchange gain or loss.

NOTE 13 – PROMISSORY NOTE

On October 1, 2012, Fondasyon Kole Zepol operated the transfer of all its financial services to Sevis Finansye Fonkoze. The net effect of the transfer was an increase of G 193,576,753 in Fondasyon Kole Zepol liabilities.

As a result of such transfer, representatives of Fondasyon Kole Zepol agree to pay to representatives of Sevis Finansye Fonkoze an amount of G 193,576,753 representing the result of net assets and liabilities incurred for the set up and maintenance of branches transferred. That agreement was subjected to a promissory note signed on September 31, 2012 and amended on October 1, 2012. To mitigate the risk of compromising the cash flow of Sevis Finansye Fonkoze, the payment term of the promissory note could not exceed ten (10) years.

As of December 31, 2016, the remaining balance of the promissory note was at G 109,291,253. Effective December 30, 2015, the Fonkoze Family of organizations signed a new agreement governing the reimbursement of the intercompany debt between the Foundation and SFF by September 30th 2031 for that balance. The contract stipulates that all amounts owed to SFF pursuant to the Fondasyon Kole Zepol Debt facility can be net off against the amounts owed by SFF to the Fondasyon Kole Zepol pursuant to the Brand Licence and Services Agreements. As of December 31, 2019 and 2018, G 2,750,000 was applied to the promissory note balance under this provision, bringing the balance of the promissory note to G101,041,253 and G103,791,253, respectively.

NOTE 14 – OTHER INCOME

For the year ended December 31, 2019 and 2018, other income is composed of:

	<u>For the years ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest revenue from Zafen loans	G 3,170,165	G 4,368,377
Other revenue related to Zafen loans	-	4,266,758 ⁽¹⁾
Solidarity loans revenue	638,550	1,123,605
Other revenue	<u>1,037,472 ⁽²⁾</u>	<u>968,519</u>
Total Loans	<u>G 4,846,187</u>	<u>G 10,727,259</u>

(1) Other revenue related to Zafen loans is composed of funds received from private investors who were using the old site of Zafen to finance loan requests from borrowers in need of debt capital and for which the investors has never claimed their investments from 2015. These funds were recognized as other revenue by Fonkoze during the year 2018.

(2) This amount represents miscellaneous small other revenue.

NOTE 15 - SUBSEQUENT EVENTS

The world is facing a pandemic (COVID-19) which started during the first quarter of the year 2020. That crisis has serious impacts on the world economy and, in Haiti, it has begun to affect the country's activities at all levels in March 2020.

Projects' activities implemented by Fonkoze are mainly financed by international donors including the US Government which provides approximately 50% of the funding through the AKSYON project. This factor creates an uncertainty about the Company's ability to continue as a going concern. However, it is management's opinion that there is no significant risk with respect to the ability of the Foundation to pursue with its activities.

NOTE 16 - EMPLOYEE RETIREMENT SAVINGS AND LOAN PROGRAM

In 2009 the Organization received a promise of a gift to fund a retirement plan for its employees and the employees of related company, Sevis Finansye Fonkoze. Prior to the creation of the retirement savings and loan program, these gift funds in the amount of USD 240,000 combined with employee contributions were held in an FDIC insured savings account in CNB Bank. As of December 31, 2011, all funds were transferred to The Association of Specialists in Microfinance (ASMF) who will manage the program. The program is open to all employees having successfully completed their 3 months probationary period with the Organization or Sevis Finansye Fonkoze. Employees who choose to participate have regular deductions taken from their paychecks based on their age as shown below:

Employee Age	% of Salary Deducted
< 45	5%
45 - 50	6%
> 50	10%

The Organization and Sevis Finansye Fonkoze match employees' contributions subject to the following vesting scheme:

Number of Years with Fonkoze/SFF	% of Matching Funds Vested
< 1 year	0%
1 - 3 years	30%
4 - 5 years	50%
> 5 years	100%

The Organization's expense for matching funds under this program was G4,069,060 and G3,669,758 for the years ended December 31, 2019 and 2018, respectively.

In 2018, the Association of Specialists in Microfinance (ASMF), following a decision of its general assembly, has transferred the management of the fund to the Banque de l'Union Haitienne (BUH). Employees have the option of borrowing from BUH against the funds they have accumulated in their pension savings accounts.

NOTE 17 - RELATED PARTY TRANSACTIONS

The identified related parties of the Foundation, are Sevis Fonkoze (SFF) and Fonkoze USA, and related party activities for the years ended December 31, 2019 and 2018 and balances as of December 31, 2019 and 2018 are as follows:

	As of December 31, 2019	As of December 31, 2018
<u>Assets</u>		
Deposit held in SFF	G 30,948,363	G 37,986,007
Term deposits maintained at SFF	33,119,151	-
Grants receivables from FONKOZE USA	54,014,616	33,083,345
Prepaid rent SFF	-	1,088,001
Advances to SFF	-	-
SFF Solidarity Loan Receivable	458,385	262,350
Related party receivables FONKOZE USA	57,450	378,314
Other receivables from SFF	635,576	571,507
Total	<u>G 119,233,541</u>	<u>G 73,369,524</u>
	As of December 31, 2019	As of December 31, 2018
<u>Liabilities</u>		
Promissory note of SFF	G 101,041,253	G 103,791,253
Other payable to SFF	2,832,892	3,221,761
Other payable to Fonkoze USA	4,431	469,844
Total	<u>G 103,878,576</u>	<u>G 107,482,858</u>
	For the year ended December 31, 2019	For the year ended December 31, 2018
<u>Revenues (SFF)</u>		
Impact monitoring services	G 2,750,000	G 2,750,000
Total	<u>G 2,750,000</u>	<u>G 2,750,000</u>
	For the year ended December 31, 2019	For the year ended December 31, 2018
<u>Expenses</u>		
Rent of the Head Office	G 4,780,441	G 3,266,030
Utilities for the head office	4,123,746	2,857,777
IT costs	3,243,215	2,740,131
Human resources service	-	257,472
Executive secretary	443,414	652,049
Legal service	172,133	528,280
Payroll service	566,682	423,495
Parking	387,632	265,365
Utilities for the branches	3,383,245	1,388,063
Storage in PAP branch	121,584	91,449
Total	<u>G 17,222,092</u>	<u>G 12,470,112</u>