

FONKOZE S.A. AND SUBSIDIARY
PORT AU PRINCE, HAITI

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013



Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Income and Accumulated Deficit	3 - 4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to Financial Statements	8 - 24
SUPPLEMENTAL INFORMATION	
Independent Auditor's Report on Supplementary Information	25
Consolidating Balance Sheets Expressed in Haitian Gourdes	26 - 27
Consolidating Statements of Income and Accumulated Deficit in Haitian Gourdes	28 - 29
Consolidating Balance Sheets Expressed in U.S. Dollars	30 - 31
Consolidating Statements of Income and Accumulated Deficit in U.S. Dollars	32 - 33

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fonkoze S.A. and Subsidiary
Port Au Prince, Haiti

We have audited the accompanying consolidated financial statements of Fonkoze S.A. (a Haitian Corporation) and Subsidiary, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of income and accumulated deficit, comprehensive income, and cash flows 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 these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 the entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fonkoze S.A. and Subsidiary as of September 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, KY
January 1, 2015

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	SEPTEMBER 30, 2014		SEPTEMBER 30, 2013	
	ASSETS			
CURRENT ASSETS				
Cash and cash equivalents	HTG	343,702,890	HTG	337,382,347
Loans		498,975,121		476,656,217
Less allowance for loan losses		(14,437,655)		(28,726,746)
Net loans		484,537,466		447,929,471
Interest receivable on loans		16,859,218		14,910,061
Accounts receivable		41,931,480		39,856,374
Stock subscriptions receivable		5,491		87,515,000
Prepaid expenses		8,270,034		9,830,240
Inventory		3,023,645		2,873,352
TOTAL CURRENT ASSETS		898,330,224		940,296,845
INVESTMENTS		30,948,676		72,129,436
FIXED ASSETS		252,700,232		260,469,146
Accumulated depreciation and amortization		(99,221,785)		(132,701,479)
Fixed assets, net		153,478,447		127,767,667
NOTES RECEIVABLE - RELATED PARTIES		165,744,323		174,520,223
OTHER ASSETS		39,820,860		55,881,091
TOTAL ASSETS	HTG	1,288,322,530	HTG	1,370,595,262
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Deposits	HTG	1,134,267,402	HTG	1,189,566,739
Long-term subordinated notes - current portion		3,271,043		3,140,740
Other notes payable - current portion		86,792,940		64,861,465
Other current liabilities		69,181,214		77,598,953
TOTAL CURRENT LIABILITIES		1,293,512,599		1,335,167,897
NOTES PAYABLE				
Other non-current liabilities		455,577		437,429
Long-term subordinated notes, less current portion		9,904,244		11,180,685
Other notes payable, less current portion		99,419,125		89,775,739
TOTAL LIABILITIES		1,403,291,545		1,436,561,750
SHAREHOLDERS' EQUITY				
Capital stock - HTG 25 par value				
Common - 8,048,067 shares authorized; 5,286,171 shares issued		132,170,440		127,166,598
Preferred - 2,500,000 shares authorized; 1,780,191 shares issued		44,504,775		39,504,775
Additional paid in capital		181,950,301		170,041,728
Retained earnings (deficit)		(477,416,296)		(406,091,298)
Accumulated other comprehensive gain (loss)		3,821,765		3,411,709
TOTAL SHAREHOLDERS' EQUITY		(114,969,015)		(65,966,488)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	1,288,322,530	HTG	1,370,595,262

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2014</u>		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2013</u>
INTEREST INCOME				
Loans	HTG	247,808,935	HTG	229,559,425
Other		<u>363,189</u>		<u>135,993</u>
TOTAL INTEREST INCOME		248,172,124		229,695,418
INTEREST EXPENSE				
Deposits		4,522,371		12,844,830
Debt		<u>7,129,443</u>		<u>6,631,900</u>
TOTAL INTEREST EXPENSE		11,651,814		19,476,730
NET INTEREST INCOME		236,520,310		210,218,688
Provisions for loan losses		<u>23,239,158</u>		<u>62,629,719</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		213,281,152		147,588,969
OTHER OPERATING INCOME (EXPENSE)				
Membership dues		3,454,970		3,883,932
Income from currency exchange		28,454,941		38,896,063
Income from remittance services		20,750,265		20,046,063
Recoveries of loans written off		9,551,724		4,763,403
Savings account fees		17,800,920		16,138,443
Other		<u>6,848,727</u>		<u>12,268,263</u>
NET INTEREST INCOME AND OTHER INCOME		300,142,699		243,585,136
OPERATING EXPENSES				
Salaries and benefits		181,820,700		214,664,236
Premises and equipment expenses		62,527,804		59,240,645
Depreciation and amortization		17,967,014		19,582,516
Other expenses		<u>79,819,288</u>		<u>52,010,011</u>
TOTAL OPERATING EXPENSE		<u>342,134,806</u>		<u>345,497,408</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX		(41,992,107)		(101,912,272)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2014</u>		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2013</u>
OTHER INCOME (EXPENSE)				
Gain (loss) due to revaluation	HTG	(9,711,220)	HTG	(19,208,734)
Loss on revaluation of MiCRO investment		(44,559,696)		-
Operating grants		45,608,313		89,351,497
Non-operating income		4,432,235		3,127,480
MiCRO Insurance Ti Machann		(4,331,077)		(10,579,109)
Parametric and basis risk payouts received from MiCRO		-		182,699,966
Catastrophe insurance premiums		(17,780,526)		(43,931,678)
Kore W catastrophic insurance expenses		(80,920)		(134,373,809)
		<hr/>		<hr/>
NET LOSS BEFORE TAX		(68,414,998)		(34,826,659)
PROVISION FOR INCOME TAX		(2,910,000)		(546,259)
		<hr/>		<hr/>
NET INCOME (LOSS)		(71,324,998)		(35,372,918)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR		(406,091,298)		(370,718,380)
		<hr/>		<hr/>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	(477,416,296)	HTG	(406,091,298)
		<hr/> <hr/>		<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2014</u>		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2013</u>
NET INCOME (LOSS)	HTG	(71,324,998)	HTG	(35,372,918)
Other comprehensive income before tax:				
Unrealized gains on securities: available for sale				
Unrealized holding gains arising during the period		<u>410,056</u>		<u>608,466</u>
Other comprehensive income		<u>410,056</u>		<u>608,466</u>
COMPREHENSIVE INCOME (LOSS)	HTG	<u><u>(70,914,942)</u></u>	HTG	<u><u>(34,764,452)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SEPTEMBER 30, 2014 AND 2013

	Common stock		Preferred stock		Additional paid in capital		Retained earnings (deficit)		Accumulated other comprehensive gain (loss)		Total Equity	
	HTG		HTG		HTG		HTG		HTG		HTG	
<i>Balance as of September 30, 2012</i>	<u>81,056,599</u>		<u>34,114,775</u>		<u>109,599,594</u>		<u>(370,718,380)</u>		<u>2,803,243</u>		<u>(143,144,169)</u>	
Net loss for the period	-		-		-		(35,372,918)		-		(35,372,918)	
Comprehensive gain on investment in SNI Minoterie	-		-		-		-		(405,258)		(405,258)	
Comprehensive gain on investment in MiCRO	-		-		-		-		1,013,724		1,013,724	
Issue 1,844,400 shares of common stock (HTG 25 par value)	<u>46,109,999</u>		-		<u>53,022,478</u>		-		-		<u>99,132,477</u>	
Issue 215,600 shares of preferred stock (HTG 25 par value)	-		<u>5,390,000</u>		<u>7,419,656</u>		-		-		<u>12,809,656</u>	
<i>Balance as of September 30, 2013</i>	<u>127,166,598</u>		<u>39,504,775</u>		<u>170,041,728</u>		<u>(406,091,298)</u>		<u>3,411,709</u>		<u>(65,966,488)</u>	
Net loss for the period	-		-		-		(71,324,998)		-		(71,324,998)	
Comprehensive gain on investment in SNI Minoterie	-		-		-		-		410,056		410,056	
Comprehensive gain on investment in MiCRO	-		-		-		-		-		-	
Issue 200,154 shares of common stock (HTG 25 par value)	<u>5,003,842</u>		-		<u>5,956,573</u>		-		-		<u>10,960,415</u>	
Issue 200,000 shares of preferred stock (HTG 25 par value)	-		<u>5,000,000</u>		<u>5,952,000</u>		-		-		<u>10,952,000</u>	
<i>Balance as of September 30, 2014</i>	<u>132,170,440</u>		<u>44,504,775</u>		<u>181,950,301</u>		<u>(477,416,296)</u>		<u>3,821,765</u>		<u>(114,969,015)</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2014</u>		<u>YEAR ENDED</u> <u>SEPTEMBER 30, 2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	HTG	(71,324,998)	HTG	(35,372,918)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization		17,967,014		19,582,516
Provision for loan losses		23,239,158		62,629,719
Provision for income tax		2,910,000		546,259
Change in investments and debt due to exchange rate fluctuations		47,195,897		2,583,106
(Increase) decrease in:				
Interest receivable on loans		(1,949,157)		2,542,951
Accounts receivable		(2,075,106)		39,722,952
Stock subscriptions receivable		87,509,509		(78,982,844)
Prepaid expenses		1,560,206		139,312
Inventory		(150,293)		(966,012)
Notes receivable - related parties		8,775,900		(49,260,008)
Other assets		13,150,231		(1,363,440)
Increase (decrease) in:				
Other current liabilities		(8,417,739)		(63,615,745)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>118,390,622</u>		<u>(101,814,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(43,677,794)		(37,588,985)
Purchase of investments		(132,554)		(30,068,565)
(Increase) decrease in loans		(59,847,153)		(40,361,917)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>(103,657,501)</u>		<u>(108,019,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowing		37,796,610		69,272,445
Payments on debt		(12,822,266)		(43,230,376)
Additional capital investments		21,912,415		111,942,133
Increase (decrease) in deposits		(55,299,337)		91,681,790
NET CASH FROM FINANCING ACTIVITIES		<u>(8,412,578)</u>		<u>229,665,992</u>
NET INCREASE (DECREASE) IN CASH		6,320,543		19,832,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>337,382,347</u>		<u>317,549,974</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	HTG	<u><u>343,702,890</u></u>	HTG	<u><u>337,382,347</u></u>
SUPPLEMENTAL DISCLOSURES:				
Cash paid during the year for interest	HTG	<u><u>29,742,232</u></u>	HTG	<u><u>2,089,587</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Purpose

Fonkoze S.A. is a holding company incorporated on February 25, 2002, under the laws of the Republic of Haiti as published in Le Moniteur number 49 dated June 24, 2002. It was established to facilitate the creation of Sèvis Finansye Fonkoze, S.A. and owns 99.9911% of that entity.

Sèvis Finansye Fonkoze, S.A. is a financial services company incorporated on May 14, 2004, under the laws of the Republic of Haiti as published in Le Moniteur number 56 dated August 26, 2004. It was established to provide capital and a full range of financial and technical services to peasant organizations, womens' collectives, cooperatives, credit unions and street vendors.

Principles of Consolidation

The consolidated financial statements include the accounts of Fonkoze S.A. and its 99.9911% owned subsidiary, Sèvis Finansye Fonkoze, S.A. All material intercompany transactions and balances have been eliminated in consolidation.

Accounting Principles

The accompanying balance sheets and statements of income, retained earnings and cash flows were prepared using accounting principles generally accepted in the United States and the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid on the accompanying balance sheets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are composed of certificates of deposit, an investment in SNI Minoterie, S.A., an agricultural processing company, and an investment in MiCRO, a (re)insurance company. Certificates of deposit are recorded at market value. Management has classified marketable securities as available for sale for reporting purposes under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320 (formerly FASB 115).

Loans

Loans are stated at book value, net of the allowance for loan losses. In general, impaired loans are those for which payments are past due more than 180 days. Loans scheduled to be paid in one payment (i.e. balloon payment loans) or shorter periods (Ti Kredi loans) are considered impaired when payments are past due more than 90 days.

The Company recognized interest income on an accrual basis. During the year ended September 30, 2014 the Company changed its policy for discontinuing accrual of interest on past due loans as shown below. Previously, the Company discontinued accruing interest for all loans when a loan became more than 30 days past due.

Ti Kredi & Solidarity	More than 29 days past due
Business Development & SME	More than 89 days past due

FONKOZE S.A. AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the year ended September 30, 2014 the Company also changed its specific rates of provision policy taking into consideration industry standards for microfinance, generally accepted accounting principles and proposed regulation for microfinance by Banque de la République d’Haïti (Haiti’s central bank) as shown below.

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Current loans	0%	0%
1 – 30 days past due	5%	8.5%
31 – 60 days past due	25%	25.5%
61 – 90 days past due	50%	25.5%
91 – 180 days past due	75%	51%
More than 180 days past due	100%	85%

During the year ended September 30, 2014 the Company also changed its specific rates of provision policy for loans scheduled to be paid in one payment (i.e. balloon payment loans) or shorter periods (Ti Kreki Loans) as follows:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Current loans	0%	0%
1 – 15 days past due	5%	8.5%
16 – 30 days past due	25%	8.5%
31 – 45 days past due	50%	25.5%
46 – 60 days past due	75%	25.5%
61 – 90 days past due	75%	25.5%
91 – 180 days past due	100%	51%
More than 180 days past due	100%	85%

For the year ended September 30, 2014 the rates of provision apply to the outstanding balance of the debt, which is equal to the outstanding loan after (i) deduction of any deposits of guarantee (cash collateral) made to the Company by the debtor net of overdue and accrued interest amounts, and/or (ii) deduction of any third-party loan guarantees provided that the third-party guarantee is deemed fully collectible. Previously, specific rates of provision were based on the recommendations of ACCION (a network of microfinance institutions) in its CAMEL rating adjusted by 15% for the mandatory cash collateral.

Fixed Assets

It is the Company’s policy to capitalize property and equipment with a cost of more than USD 500. Lesser amounts are expensed. Property and equipment are capitalized at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Vehicles	4 years
Equipment	5 years
Computers	5 years
Leasehold improvements	5 years
Buildings	20 years
Head Office	50 years

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include savings accounts and all certificates of deposit with a maturity date of 90 days or less from the financial statement date.

Conversion in Foreign Currencies

The functional currency of the Companies is the Haitian gourde (HTG). Consequently, assets and liabilities stated in foreign currencies are converted in Haitian gourdes at the exchange rate prevailing at year-end. The official rates of exchange published by the Bank de la République d'Haïti (Haiti's central bank) as of September 30, 2014 and 2013 were 45.5577 and 43.7429 Haitian gourdes to one U.S. dollar, respectively. Transactions incurred in U.S. dollars are converted at the exchange rate prevailing on the date of the transaction. Gains or losses related to exchange operations are reported in the statements of income and accumulated deficit.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740-10-50, *Income Taxes* (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*), requires entities to disclose known or anticipated positions of income tax uncertainty. The company is not aware of any uncertain tax positions that may affect the financial statements as of January 1, 2015.

Comprehensive Income

FASB ASC 220, *Comprehensive Income* (formerly SFAS No. 130, *Reporting Comprehensive Income (Loss)*), requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Accumulated other comprehensive gains (losses) shown on the balance sheets at September 30, 2014 and 2013 represent unrealized gains (losses) on available-for-sale securities.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Currency held in branch offices	HTG 102,374,550	HTG 117,154,843
Deposits held in U.S. banks	55,762,806	91,763,141
Deposits held in Haitian banks	<u>185,565,534</u>	<u>128,464,363</u>
Total	<u>HTG 343,702,890</u>	<u>HTG 337,382,347</u>
Currency in U.S. dollars	HTG 27,917,560	HTG 37,589,575
Currency in Haitian gourdes	74,456,990	79,565,268
Deposits in U.S. dollars	187,640,551	161,898,777
Deposits in Haitian gourdes	<u>53,687,789</u>	<u>58,328,727</u>
Total	<u>HTG 343,702,890</u>	<u>HTG 337,382,347</u>

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

There is no deposit insurance for accounts held in Haitian banks. Deposits held with City National Bank of New Jersey are insured by the Federal Deposit Insurance Corporation (FDIC) up to USD 250,000. Deposits held with the Self Help Credit Union are insured by the National Credit Union Administration (NCUA) up to USD 250,000.

NOTE C – INVESTMENTS

Investments consisted of the following:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
SNI Minoterie	HTG 4,174,334	HTG 3,764,279
Certificate of Deposit – Self Help Credit Union	7,641,191	7,209,528
Microinsurance Catastrophic Risk Organization (MiCRO)	<u>19,133,151</u>	<u>61,155,629</u>
Total	<u>HTG 30,948,676</u>	<u>HTG 72,129,436</u>

The investment in SNI Minoterie represents a .62% interest in the company, which operates an agricultural processing business. The company was incorporated in the Cayman Islands and has been valued at its market value at September 30, 2014 and 2013.

The certificate of deposit held at Self Help Credit Union matures May 12, 2017 and carries an interest rate of 1.75%.

The investment in MiCRO represents a 76.69% interest in the preferred shares of Cell A of MiCRO, which operates as a licensed (re)insurance company that issues (re)insurance protections for catastrophic events (See Note Q). The company does not control this investment, and, accordingly, at September 30, 2013, it was valued at cost without impairment. During 2014, MiCRO substantially reorganized and changed its strategy; except for the parametric insurance product it offers the company, MiCRO is no longer actively marketing any insurance products in Haiti. Accordingly, at September 30, 2014, the Company recorded as Other Income (Expense) a loss of HTG 44,559,696 on revaluation of the MiCRO investment. The book value of the company's investment in Cell A of MiCRO is equal to its pro rata share of the MiCRO Cell A equity at September 30, 2014.

On December 28, 2012, Fondasyon Kole Zepòl transferred 684,535 preferred shares of Cell A to Sèvis Finansye Fonkoze, S.A.

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value, but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE C – INVESTMENTS (CONTINUED)

Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.

Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Fair value of assets and liabilities measured on a recurring basis at September 30, 2014 and 2013 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		<u>Fair value</u>		
<u>September 30, 2014</u>				
Available-for-sale securities	HTG 23,307,485	HTG -	HTG -	HTG 23,307,485
Certificate of deposit	<u>7,641,191</u>	-	<u>7,641,191</u>	-
Total	<u>HTG 30,948,676</u>	<u>HTG -</u>	<u>HTG 7,641,191</u>	<u>HTG 23,307,485</u>
<u>September 30, 2013</u>				
Available-for-sale securities	HTG 64,919,908	HTG -	HTG -	HTG 64,919,908
Certificate of deposit	<u>7,209,528</u>	-	<u>7,209,528</u>	-
Total	<u>HTG 72,129,436</u>	<u>HTG -</u>	<u>HTG 7,209,528</u>	<u>HTG 64,919,908</u>

Available-for-sale securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>SNI Minoterie</u>		<u>MiCRO</u>
September 30, 2012	HTG 3,863,359	HTG	30,198,365
Purchases	-		29,943,540
Total gains and losses – unrealized			
Included in earnings (revaluation)	-		-
Included in other comprehensive income	(99,080)		1,013,724
September 30, 2013	3,764,279		61,155,629
Purchases	-		-
Total gains and losses – unrealized			
Included in earnings (revaluation)	-		(42,022,478)
Included in other comprehensive income	410,055		-
September 30, 2014	<u>HTG 4,174,334</u>	<u>HTG</u>	<u>19,133,151</u>

Investments, including SNI Minoterie, have been valued using a market approach. Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. The only change in the valuation techniques during the year ended September 30, 2014 and 2013 was the change from valuing the MiCRO investment at cost to book value.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE D – RELATED PARTY TRANSACTIONS

Over a period of ten years, Fondasyon Kole Zepòl (Fonkoze) became indebted to Sèvis Finansye Fonkoze, S.A. for expenditures related to setting up and maintaining the Fonkoze family branch network. As a result, Fonkoze owed the Company HTG 165,744,323 and HTG 174,520,223 at September 30, 2014 and 2013, respectively.

In October 2012, the final six branches were transferred from Fonkoze to Sèvis Finansye Fonkoze, S.A. Following that change, which effectively ended any further increase in the Fonkoze receivable, Fonkoze was granted ten years to repay their debt, as evidenced by a signed promissory note. The note bears a zero percent interest rate. As of September 30, 2012, the receivable has been reclassified from accounts receivable to notes receivable – related parties on the accompanying balance sheets.

In October 2013, Digicel Haiti International Finance invested 2,000,000 USD in Sèvis Finansye Fonkoze, S.A receiving 1,600,000 voting shares in the entity. Management of Sèvis Finansye Fonkoze, S.A. decided to report Digicel as a related party. During the year ended September 30, 2014 this related party relationship resulted in revenue totaling HTG 412,874 to Sèvis Finansye Fonkoze, S.A.

NOTE E – LOANS

The composition of loans by segment is as follows:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Market vendor solidarity groups	HTG 400,374,010	HTG 385,287,058
SME portfolio	57,801,289	55,032,145
Business development	40,799,822	36,337,014
Less allowance for loan losses	<u>(14,437,655)</u>	<u>(28,726,746)</u>
Total	<u>HTG 484,537,466</u>	<u>HTG 447,929,471</u>

The terms of the loans are between one and twelve months. Interest rates vary between twenty-four and sixty percent per annum.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are included in other operating income on the statements of income and accumulated deficit.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The following are the factors the Company uses to determine the balance of the allowance account for each segment or class of loans.

Solidarity Groups and Business Development Loans

During the year ended September 30, 2014 the Company changed its specific rates of provision policy taking into consideration industry standards for microfinance, generally accepted accounting principles and proposed regulation for microfinance by Banque de la République d’Haïti (Haiti’s central bank). This factor has been applied based on the outstanding balance of the loan, net of mandatory cash collateral, as adjusted, and/or deduction of any third-party loan guarantees provided that such guarantee is deemed fully collectible. See Note A to these financial statements for updated policy rates.

In 2012, the Company reduced the cash collateral requirement on solidarity loans to 13% to offset the catastrophic insurance premium of 2% charged to clients. No corresponding change was made to the specific rates of provision to loans.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE E – LOANS (CONTINUED)

SME (Small and Medium Enterprises) Portfolio

During the fiscal year ended September 30, 2013, the Company scaled back lending in the SME sector. During the period, the Company also introduced a more traditional SME loan product with monthly repayments and discontinued the Kredi Cho and Kredi Lakay products. SME loans in the amount of HTG 13,871,992 and HTG 61,949,980 were written off in 2014 and 2013 respectively. The Company uses the CAMEL ratings to apply provisions to the SME loan product.

In 2012, SFF began receiving funds from the Spain-IIC Haiti SME Development Fund to support SME lending. Under the Master Agreement for a Revolving Credit Facility and Proportional Risk Allocation for Financing of Small and Medium Enterprises in Haiti dated February 24, 2012 between Sèvis Finansye Fonkoze, S.A. and the Inter-American Investment Corporation (the “IIC”), forty percent of the outstanding balance of eligible subloans are guaranteed by the IIC. All SME loans in the amount of USD 10,000 or more (or the equivalent in Gourdes) are submitted for coverage under the Agreement.

Kredi Kolera Loans

During the fiscal year ended September 30, 2013, the Company wrote off the remaining balances of the Kredi Kolera loans in the amount of HTG 2,719,975. The Company does not intend to issue any new Kredi Kolera loans.

Loans by Segment

The total allowance reflects management’s estimate of loan losses inherent in the loan portfolio at the balance sheet dates. The Company considers the allowances for loan losses of HTG 14,437,655 and HTG 28,726,746 adequate to cover loan losses inherent in the loan portfolio at September 30, 2014 and 2013, respectively. The following tables present by portfolio segment, the changes in allowance for loan losses.

**Allowance for Loan Losses
For the Year Ended September 30, 2014**

	Solidarity		Business Development		SME Portfolio		Kredi Kolera		Total	
Beginning Balance	HTG	21,540,218	HTG	2,242,608	HTG	4,943,920	HTG	-	HTG	28,726,746
Provisions		5,783,854		5,539,593		11,915,711		-		23,239,158
Write-offs		(18,880,214)		(4,776,043)		(13,871,992)		-		(37,528,249)
Ending Balance	HTG	8,443,858	HTG	3,006,158	HTG	2,987,639	HTG	-	HTG	14,437,655

**Allowance for Loan Losses
For the Year Ended September 30, 2013**

	Solidarity		Business Development		SME Portfolio		Kredi Kolera		Total	
Beginning Balance	HTG	21,270,321	HTG	4,016,561	HTG	28,814,462	HTG	2,719,975	HTG	56,821,319
Provisions		16,507,947		8,042,333		38,079,439		-		62,629,719
Write-offs		(16,238,050)		(9,816,287)		(61,949,980)		(2,719,975)		(90,724,292)
Ending Balance	HTG	21,540,218	HTG	2,242,607	HTG	4,943,921	HTG	-	HTG	28,726,746

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE E – LOANS (CONTINUED)

All loans are individually evaluated for impairment rather than collectively evaluated. Loans in the amount of HTG 37,528,249 and HTG 90,724,292 were written off in 2014 and 2013, respectively. Recoveries of loans previously written off were HTG 9,551,724 and HTG 4,763,420 for 2014 and 2013, respectively. Recoveries are included in other operating income on the statements of income and accumulated deficit.

Accrued interest receivable on loans was HTG 16,859,218 and HTG 14,910,061 at September 30, 2014 and 2013, respectively.

CREDIT QUALITY INFORMATION

The intent of the credit application and review process is to manage the credit risk of the institution and to ensure that clients are ready for credit and do not become over-indebted. There are no formal credit bureaus in Haiti. The Company uses a loan application which provides necessary information about the client, her business, and other information necessary for the lending decision. The credit agent, the client's groups, and the branch managers also utilize contextual information about the client and her business to make the final lending decision. Past repayment history is an important factor in determining the amount of the loan. Clients who have unpaid loans may not take a new loan.

Debt rescheduling (restructuring) is pursued as the final solution to settling existing or anticipated delinquency, including but not limited to the following cases:

- Clients with severe health conditions
- Clients whose business becomes subject to extreme, unforeseen damage, such as shop burning, natural catastrophes, economic changes, and mortality

In rescheduling cases, the rescheduled amount will equal the total accumulated loan obligations consisting of penalties, overdue service charges, and the overdue principle amounts. Loans are considered for rescheduling on a case-by-case basis. Loan rescheduling requests are processed by the respective branch/department and are approved by the credit committee and the CEO.

AGING ANALYSIS OF PAST DUE LOANS BY CLASS

The following table shows an aging analysis of the recorded investment of past due loans net of cash collateral as of September 30, 2014.

	Outstanding Loans, net of Cash Collateral							
	Market vendor solidarity groups		SME portfolio	Business development	Total			
1-30 Days Past Due	HTG	52,352,894	HTG	6,499,834	HTG	6,915,381	HTG	65,768,109
31-60 Days Past Due		5,476,415		817,867		2,599,126		8,893,408
61-90 Days Past Due		2,192,522		-		1,624,242		3,816,764
91-180 Days Past Due		4,277,782		3,667,698		3,023,020		10,968,500
Greater Than 180 Days Past Due		5,236		-		-		5,236
Total Past Due		<u>64,304,849</u>		<u>10,985,399</u>		<u>14,161,769</u>		<u>89,452,017</u>
Current Net of Cash Collateral		276,258,094		37,021,497		18,666,639		331,946,230
Cash Collateral		60,932,958		11,040,951		7,971,414		79,945,323
Less Drawdown Accounts		(1,121,891)		(1,246,558)		-		(2,368,449)
Total Loans	HTG	<u>400,374,010</u>	HTG	<u>57,801,289</u>	HTG	<u>40,799,822</u>	HTG	<u>498,975,121</u>

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE E – LOANS (CONTINUED)

The following table shows an aging analysis of the recorded investment of past due loans as of September 30, 2013.

	Market vendor solidarity groups		SME portfolio		Business development		Total	
	HTG		HTG		HTG		HTG	
1-30 Days Past Due	64,155,005		2,666,095		6,436,399		73,257,499	
31-90 Days Past Due	13,416,324		3,406,770		1,849,070		18,672,164	
91-180 Days Past Due	13,306,720		8,709,789		1,507,703		23,524,212	
Greater Than 180 Days Past Due	6,917,003		-		535,379		7,452,382	
Total Past Due	<u>97,795,052</u>		<u>14,782,654</u>		<u>10,328,551</u>		<u>122,906,257</u>	
Current	289,199,783		41,751,573		26,008,463		356,959,819	
Collateral	-		-		-		-	
Less Drawdown Accounts	(1,707,777)		(1,502,082)		-		(3,209,859)	
Total Loans	<u>HTG 385,287,058</u>		<u>HTG 55,032,145</u>		<u>HTG 36,337,014</u>		<u>HTG 476,656,217</u>	

IMPAIRED LOANS

At September 30, 2014 and 2013, loans in the amounts of HTG 5,236 and HTG 7,452,382, respectively, were impaired. These loans have been valued at the fair market value of their collateral. After consideration of collateral, the allowance for loan losses on impaired loans for the years ended September 30, 2014 and 2013, were HTG 5,236 and HTG 6,334,480, respectively.

The following table includes the loans that were considered impaired as of September 30, 2014 and 2013. The balances are presented by class of loan.

**Impaired Loans
For the Years Ended September 30, 2014 and 2013**

	September 30, 2014		September 30, 2013	
	HTG		HTG	
Market vendor solidarity groups	5,236		6,917,003	
SME portfolio	-		-	
Business development	-		535,379	
Total	<u>HTG 5,236</u>		<u>HTG 7,452,382</u>	

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE E – LOANS (CONTINUED)

NONACCRUAL LOANS

The following table presents the loans on nonaccrual status as of September 30, 2014 and 2013. The balances are presented by class of loan.

**Nonaccrual Loans
For the Years Ended September 30, 2014 and 2013**

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
Market vendor solidarity groups	HTG	11,951,955	HTG	33,640,047
SME portfolio		3,667,698		12,116,559
Business development		<u>3,023,020</u>		<u>3,892,152</u>
 Total	 HTG	 <u>18,642,673</u>	 HTG	 <u>49,648,758</u>

NOTE F – FIXED ASSETS

A summary of property and equipment and the related depreciation expenses is as follows:

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
Land	HTG	20,830,775	HTG	20,830,775
Buildings		93,502,816		4,422,000
Vehicles		38,373,473		38,725,470
Furniture and equipment		13,776,811		14,674,232
Computer equipment		18,372,375		45,528,028
Electrical equipment		31,387,306		24,651,174
Leasehold improvements		21,464,459		18,430,494
Non-tangible assets		14,013,514		19,474,232
Construction in progress		<u>978,703</u>		<u>73,732,741</u>
Total		252,700,232		260,469,146
Accumulated depreciation		96,497,936		119,194,581
Accumulated amortization		<u>2,723,849</u>		<u>13,506,898</u>
Net Property and Equipment	HTG	<u>153,478,447</u>	HTG	<u>127,767,667</u>

During the year ended December 31, 2010, the Company purchased land for construction of a new Central Office building. Construction began during 2011. As of September 2014, the Organization is using the building as their central office with the first floor being rented to Fondasyon Kole Zepòl (Fonkoze).

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE G – OTHER ASSETS

Other assets consisted of the following at September 30, 2014 and 2013:

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
Guaranteed deposits	HTG	2,747,857	HTG	16,733,646
Deferred tax asset		20,490,000		23,400,000
Land settlement		<u>16,583,003</u>		<u>15,747,445</u>
Total	<u>HTG</u>	<u>39,820,860</u>	<u>HTG</u>	<u>55,881,091</u>

Guaranteed deposits at September 30, 2014 and 2013 were HTG 2,747,857 and HTG 16,773,646, respectively. At September 30, 2013, HTG 15,000,000 of this amount (92.5%) represents a deposit made to customs authorities for the clearance of the building parts. At September 30, 2014 this amount had been reclassified by management as a receivable. The remaining balance consists of deposits made on a contractual basis for rent, leasing of vehicles and telephone plans.

NOTE H – DEFERRED TAXES

Deferred taxes (asset) represent the future tax benefits of tax losses incurred during 2010 through 2014, which can be carried forward for five years. Deferred taxes were calculated using the tax rates in effect on September 30, 2014 and 2013. The balance of deferred taxes, net of valuation adjustments, at September 30, 2014 and 2013 was HTG 20,490,000 and HTG 23,400,000, respectively calculated as shown in the table below.

		<u>Deferred Tax Asset</u>
Balance as of September 30, 2012		<u>HTG 23,946,259</u>
Tax benefit for 2013 losses	10,649,819	
Expiration of 2008 carry forward	(9,202,008)	
Valuation adjustment	<u>(1,994,070)</u>	
Total tax provision		<u>(546,259)</u>
Balance as of September 30, 2013		23,400,000
Tax benefit for 2014 losses	20,524,499	
Expiration of 2009 carry forward	(4,355,650)	
Valuation adjustment	<u>(19,078,849)</u>	
Total tax provision		<u>(2,910,000)</u>
Balance as of September 30, 2014		<u><u>HTG 20,490,000</u></u>

As illustrated in the table shown above, HTG 4,355,650 of the carryforward from 2009 expired during the year ended September 30, 2014 and HTG 9,202,008 of the carryforward from 2008 expired during the year ended September 30, 2013. Valuation adjustments were applied to the losses used to calculate deferred taxes at September 30, 2014 and 2013 in the amounts of HTG 19,078,849 and HTG 1,994,071, respectively, to reflect the possibility that the Company may not be able to use all of the carryforward before it expires. Financial projections prepared by management support management's opinion that the Company will achieve profitability and positive equity and will therefore realize the loss carryover as adjusted by the carryforward expiration and valuation adjustment.

The deferred tax asset, if unused, is scheduled to expire as follows:

September 30, 2015	HTG	-
September 30, 2016		2,241,051
September 30, 2017		18,248,949
September 30, 2018		-
September 30, 2019		-
Total amount expected to be realized	<u>HTG</u>	<u>20,490,000</u>

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE H – DEFERRED TAXES (CONTINUED)

No income tax was paid by the Company during the years ended September 30, 2014 and 2013 due to net losses. The provisions for 2014 and 2013 income tax represent the increase in the expected future benefits provided by losses carried forward. The company's tax returns are subject to regulatory review for a period of five years after filing. The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense for the years ended September 30, 2014 and 2013 these amounts were HTG 274,393 (expense) and HTG 657,410 (expense), respectively, due to income from unrealized gains (losses) on securities.

NOTE I – LAND SETTLEMENT

During the year ended December 31, 2011, the Company reached a settlement of an ongoing lawsuit regarding a debt owed by a Haitian company. In exchange for the debt that was owed, the debtor transferred title to a parcel of land to the Company. The debtor has been granted the right to use the land for five years and has the option to repurchase the property at any time within those five years. The Company has valued the piece of land at the amount that the debtor will be required to pay for repurchase of the land. The repurchase price was calculated considering principal and interest of the original debt as well as all fees paid in relation to the lawsuit. At September 30, 2014 and 2013 the land is included in other assets on the balance sheet at a value of HTG 16,583,003 and HTG 15,747,445, respectively (the converted amounts using the September 30, 2014 and 2013 exchange rates were USD 364,000 and USD 360,000, respectively). An appraisal (Evaluation Fonciere) dated November 12, 2010 by Pierre Gousse Jr of CF Construction reported that the fair market value of the property at that date was HTG 17,409,390.

NOTE J – DEPOSITS

Deposits consisted of the following:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Savings deposits in Haitian gourdes	HTG 639,998,985	HTG 650,503,652
Savings deposits in U.S. dollars	462,416,274	493,248,816
Time deposits in Haitian gourdes	23,104,837	38,877,084
Time deposits in U.S. dollars	8,747,306	6,937,187
Total	<u>HTG 1,134,267,402</u>	<u>HTG 1,189,566,739</u>

On November 1, 2013 the Organization adjusted the interest rates on the Savings and Time deposits. Savings deposits bear interest at rates between one tenth of one percent and one half of one percent for the year ended September 30, 2014 compared to one half of one percent and one and one half percent for the year ended September 30, 2013. Time deposits bear interest rates between one fifteenth of one percent to four tenths of one percent for the year ended September 30, 2014 compared to rates between one and five percent for the year ended September 30, 2013. Accounts with average quarterly balances below HTG 100 and USD 20 are not paid interest. The aggregate amount of time deposit accounts in denominations of USD 100,000 (HTG 4,555,770 and HTG 4,374,290 at the September 30, 2014 and 2013 exchange rates, respectively) was HTG 5,000,000 at September 30, 2014 and 2013.

The deposits shown above include deposits held for related parties in the amounts of HTG 20,216,551 and HTG 26,711,297 for the years ended September 30, 2014 and 2013, respectively.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE K – OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at September 30, 2014 and 2013:

	<u>September 30, 2014</u>		<u>September 30, 2013</u>	
Accounts payable	HTG	62,767,967	HTG	49,354,211
Interest payable		2,076,445		2,420,063
Accrued expenses		3,560,511		4,180,087
Pass-through payroll		776,291		21,644,592
Total	<u>HTG</u>	<u>69,181,214</u>	<u>HTG</u>	<u>77,598,953</u>

Accounts payable at September 30, 2014 and 2013 were HTG 62,767,967 and HTG 49,354,211, respectively. At September 30, 2014, HTG 8,260,160 of the accounts payable balance related to employee salaries and other employee related payables and HTG 3,699,510 related to payables to the Foundation. The remaining balance related to other miscellaneous payables. At September 30, 2013, HTG 22,251,396 of the accounts payable balance related to employee salaries and other employee related payables and HTG 11,810,917 related to payables to the Foundation. The remaining balance related to other miscellaneous payables.

NOTE L – PASS-THROUGH PAYROLL

During the nine months ended September 30, 2012, the Company entered into two agreements with third parties to distribute payroll related to philanthropic projects. As of September 30, 2014 and 2013 HTG 776,291 and HTG 3,897,791 had been received by the Company but not yet distributed. For September 30, 2013, the remaining balance of the pass-through payroll of HTG 17,746,801 is special payroll for Food For Peace.

NOTE M – LONG TERM SUBORDINATED NOTES PAYABLE

Notes payable consists of ten notes due to individuals and organizations who are also shareholders of Fonkoze S.A. The notes bore no interest until September 1, 2007, when interest began accruing at 5% per annum. Interest is paid semi-annually in U.S. Dollars. Principal payments in U.S. Dollars began on August 31, 2012. Maturities are as follows:

	<u>September 30, 2014</u>		<u>September 30, 2013</u>		
<u>Fiscal Year Ending</u>			<u>Fiscal Year Ending</u>		
September 30, 2015	HTG	3,271,043	September 30, 2014	HTG	3,140,740
September 30, 2016		7,371,236	September 30, 2015		3,140,740
September 30, 2017		1,384,954	September 30, 2016		8,039,945
September 30, 2018		765,369	September 30, 2017		-
September 30, 2019		382,685	September 30, 2018		-
Total	<u>HTG</u>	<u>13,175,287</u>	Total	<u>HTG</u>	<u>14,321,425</u>

The notes are subordinate and junior to all other creditors.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE N – NOTES PAYABLE OTHER

Notes payable at September 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Note payable to Grameen Foundation bearing 9% fixed interest due and payable March 3, 2014.	HTG -	HTG 504,650
Note payable to Grameen Foundation bearing 9% fixed interest due and payable October 4, 2014.	252,882	505,763
Note payable to MEDA bearing 9.66% fixed interest per annum due and payable September 30, 2013.	-	5,467,863
Note payable to Oikocredit bearing 13.5% fixed interest per annum for the first 6 months and a variable interest rate thereafter due and payable August 2, 2015.	3,750,000	6,250,000
Note payable to Inter-American Investment Corporation bearing 9.75% fixed interest. This is a revolving credit facility with a maturity date of February 24, 2016.	20,669,099	21,506,265
Note payable to Whole Planet Foundation bearing 0.0% fixed interest due and payable April 30, 2018.	10,489,600	10,489,600
Note payable to Whole Planet Foundation bearing 0.0% fixed interest due and payable April 30, 2018.	10,940,050	10,940,050
Notes payable to Fonkoze USA with interest at fixed annual percentage rates from 0% to 4% and maturities from October 1, 2014 to August 14, 2019.	110,090,184	79,940,149
Notes payable to investors living abroad with interest at fixed annual percentage rates from 0% to 1% and maturities between October 1, 2014 and July 16, 2019.	9,519,285	8,097,139
Note payable to Global Partnership Social Investment Fund bearing 8.50% fixed interest per annum and maturity date of October 9, 2015.	20,500,965	10,935,725
TOTAL NOTES PAYABLE	<u>HTG 186,212,065</u>	<u>HTG 154,637,204</u>

The maturities of the notes payable are as follows as of September 30, 2014 and 2013:

<u>Fiscal Year Ending</u>	<u>September 30, 2014</u>	<u>Fiscal Year Ending</u>	<u>September 30, 2013</u>
September 30, 2015	HTG 86,792,940	September 30, 2014	HTG 64,861,465
September 30, 2016	48,061,093	September 30, 2015	27,351,638
September 30, 2017	23,993,984	September 30, 2016	22,933,322
September 30, 2018	9,913,767	September 30, 2017	7,668,131
September 30, 2019	17,450,281	September 30, 2018	29,087,635
Thereafter	-	Thereafter	2,735,013
Total	<u>HTG 186,212,065</u>	Total	<u>HTG 154,637,204</u>

At September 30, 2014, USD 1,546,301 (HTG 70,445,917 at the September 30, 2014 exchange rate) remained available to the Company on the line of credit with Inter-American Investment Corporation (IIC). At September 30, 2013, USD 1,508,348 (HTG 65,979,535 at the September 30, 2013 exchange rate) remained available to the Company on the line. Following the draw end date for the line of credit, which was February 24, 2014, the IIC prepared an amortization schedule and determined a maturity date of February 24, 2016.

The notes payable to the Grameen Foundation and Oikocredit are payable in Haitian gourdes at the exchange rate when the loan was first disbursed. The remainder of the notes payable are payable in U.S. dollars.

FONKOZE S.A. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE O – COMMITMENTS

The Company leases office space on a long-term basis. Some leases are payable in U.S. dollars while others are payable in Haitian Gourdes. Future obligations under these leases as of September 30, 2014 are as follows:

<u>Year</u>	<u>Payable in USD</u>	<u>Payable in HTG</u>
2015	\$ 153,600	HTG 1,276,063
2016	97,825	974,167
2017	78,200	646,771
2018	66,088	518,750
2019	11,500	254,166
2020-2023	-	783,333
Total	<u>\$ 407,213</u>	<u>HTG 4,453,250</u>

Rent expense for the years ended September 30, 2014 and 2013 was HTG 12,102,592 and HTG 14,859,253, respectively.

NOTE P – CAPITAL STRUCTURE

The capital structure of the Company consists of common stock with voting rights and non-cumulative, participating preferred stock with no voting rights. Par value of the stock is HTG 25. At September 30, 2014 and 2013, total shares authorized consisted of 8,048,067 common shares and 2,500,000 preferred shares. At September 30, 2014 total shares outstanding consisted of 5,286,171 common shares and 1,780,191 preferred shares. At September 30, 2013 total shares outstanding consisted of 5,086,017 common shares and 1,580,191 preferred shares. Preferred shares receive five percent more of any declared dividends than common shares.

The Company issues new stock through sale and conversion of debt to equity. During the year ended September 30, 2014, the Company issued 200,154 shares of common stock and 200,000 shares of preferred stock at USD 1.25 per share. Sale of common stock accounted for 200,154 of the new shares and conversion of debt to equity resulted in zero shares of common stock issued. All 200,000 new shares of preferred stock were issued through sale. During the year ended September 30, 2013, the Company issued 1,844,400 shares of common stock and 215,600 shares of preferred stock at USD 1.25 per share. Sale of common stock accounted for 1,844,400 of the new shares and conversion of debt to equity resulted in zero shares of common stock issued. All 215,600 new shares of preferred stock were issued through sale.

NOTE Q – DISASTER RISK MITIGATION FACILITY

In 2011, the Company introduced a catastrophe insurance product in partnership with Micro insurance Catastrophe Risk Organization (MiCRO), a specialized (re)insurance company founded by the Company with other investors. The product combined a commercially reinsured ‘parametric’ insurance policy and an insurance product for the Company’s borrowers, Kore W, with additional insurance coverage for the ‘basis risk’ – or differential between the coverage provided by the parametric payout and the actual benefits payable to borrowers under the Kore W program criteria.

The Company paid premiums to MiCRO for parametric insurance coverage based on the total value of its loan portfolio. The Company received parametric payouts through MiCRO based on predetermined ‘triggers’ for rain, wind and seismic activity. The Company collected Kore W insurance premiums from borrowers. When events occurred that led to catastrophe insurance claims by borrowers, the Company’s Kore W team determined which clients received payouts based on pre-determined criteria. When claims submitted by clients in the Kore W program were in excess of the parametric payouts through MiCRO, the Company submitted a basis risk claim to MiCRO. MiCRO reimbursed the Company based on the insurance contract.

FONKOZE S.A. AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE Q – DISASTER RISK MITIGATION FACILITY (CONTINUED)

Following two devastating weather events in August and October of 2012 which resulted in claims that exceeded the insurance coverage through MiCRO, the retail portion of the catastrophe insurance product, Kore W, was suspended indefinitely. The Company entered into a new parametric only insurance policy through MiCRO on April 15, 2013 for a period of one year and again on April 23, 2014 for a period of one year. The Company is under no obligation to distribute proceeds, if any, received from the parametric insurance policy to its clients.

The following tables illustrate the catastrophic insurance activity for the years ended September 30, 2014 and 2013:

	<u>Kore W Summary</u>		<u>MiCRO Summary</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Claims incurred	HTG -	HTG 134,373,809	MiCRO reimbursements HTG -	HTG 182,699,966
Premiums collected from clients	-	-	Premiums paid to MiCRO 17,780,526	43,931,678
Company expense	<u>HTG -</u>	<u>HTG 134,373,809</u>	Net income from MiCRO <u>HTG (17,780,526)</u>	<u>HTG 138,768,288</u>

On October 24, 2012, Hurricane Sandy triggered HTG 139,557,740 in parametric reinsurance payments to the Company. Due to the reinsurance limits being exhausted, the cash portion of the insurance payouts to clients under Kore W were reduced. Through September 30, 2013, the Company incurred claims of HTG 134,373,809 related to Hurricane Sandy. There were no claims outstanding as of September 30, 2014 and 2013.

The following table illustrates the claims outstanding as of September 30, 2014 and 2013:

	<u>Claims Outstanding</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Total claims incurred	HTG -	HTG 134,373,809
Claims paid	-	134,030,010
Claims outstanding	<u>HTG -</u>	<u>HTG 343,799</u>

To help reduce some of the losses the Company incurred in relation to the catastrophic insurance product, International Finance Cooperation (IFC) granted MiCRO USD 1,700,000 over three years to subsidize the premiums paid by the Company to MiCRO. USD 568,199 of the grant was made retroactive to January 2012 and paid to the Company. Swiss Agency for Development and Cooperation (SDC) made a grant of USD 263,138. MiCRO made an ex-gratia payment of USD 973,070 with an understanding that the parametric triggers had not worked as intended. After receipt, USD 64,646 of the MiCRO ex-gratia payment, USD 119,680 of the IFC grant, and USD 32,364 of the SDC grant were transferred to Fonkoze, the Foundation to cover losses incurred while they had insurance coverage during the period ending September 30, 2012.

FONKOZE S.A. AND SUBSIDIARY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014 AND 2013

NOTE R – EMPLOYEE RETIREMENT SAVINGS AND LOAN PROGRAM

In 2009 the Company received a promise of a gift to fund a retirement plan for its employees and the employees of its related foundation Fondasyon Kole Zepòl (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 manages the program. The program is open to all employees having successfully completed their 3 month probationary period with the Company or Fonkoze. Employees who choose to participate will have regular deductions taken from their paychecks based on their age as shown below:

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

The Company and Fonkoze will match employees' contributions subject to the following vesting scheme:

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

The Company's retirement expense for matching funds under this program was HTG 4,007,147 and HTG 4,179,637 for the years ended September 30, 2014 and 2013, respectively.

Employees have the option of borrowing against the funds they have accumulated in their savings and loan account.

NOTE S – SUBSEQUENT EVENTS

Management of the Company has considered subsequent events through January 1, 2015, the date this report became available for issuance.

NOTE T – GOING CONCERN

As shown on the accompanying financial statements, the Company incurred losses of HTG 71,324,998 and HTG 35,372,918 for the years ended September 30, 2014 and 2013, respectively. As of September 30, 2014 and 2013 total liabilities exceeded total assets by HTG 114,969,015 and HTG 65,966,488. These factors create an uncertainty about the Company's ability to continue as a going concern. Management of the Company believes that profitability and positive equity will be achieved in 2016 for the reasons cited below. Accordingly, the independent auditor's report does not reflect a qualification regarding the Company's ability to remain a going concern (See independent auditor's unmodified opinion).

Management has developed a plan to raise additional capital and taken certain steps to become profitable. Financial projections have been prepared based on assumptions of the plan's effect and they support management's opinion that the Company will achieve profitability and positive equity. The ability of the Company to continue as a going concern is dependent on the plan's success. The financial statements included herein do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Fonkoze S.A. and Subsidiary
Port Au Prince, Haiti

We have audited the financial statements of Fonkoze S.A. and Subsidiary as of and for the years ended September 30, 2014 and 2013, and have issued our report thereon dated January 1, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Balance Sheets Expressed in Haitian Gourdes, Consolidating Statements of Income and Accumulated Deficit Expressed in Haitian Gourdes, Consolidating Balance Sheets Expressed in U.S. Dollars, and Consolidating Statements of Income and Accumulated Deficit Expressed in U.S. Dollars are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
January 1, 2015



FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2014

ASSETS

	<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE, S.A.</u>		<u>FONKOZE S.A.</u>	
CURRENT ASSETS								
Cash and cash equivalents	HTG	343,702,890	HTG	-	HTG	343,516,903	HTG	185,987
Loans		498,975,121		-		498,975,121		-
Less allowance for loan losses		<u>(14,437,655)</u>		<u>-</u>		<u>(14,437,655)</u>		<u>-</u>
Net loans		484,537,466		-		484,537,466		-
Interest receivable on loans		16,859,218		-		16,859,218		-
Accounts receivable		41,931,480		(4,365,366)		45,531,477		765,369
Stock subscriptions receivable		5,491		(6,354,750)		6,354,750		5,491
Prepaid expenses		8,270,034		-		8,270,034		-
Inventory		<u>3,023,645</u>		<u>-</u>		<u>3,023,645</u>		<u>-</u>
TOTAL CURRENT ASSETS		898,330,224		(10,720,116)		908,093,493		956,847
INVESTMENTS		30,948,676		(373,866,944)		30,948,676		373,866,944
FIXED ASSETS								
Accumulated depreciation		<u>(99,221,785)</u>		<u>-</u>		<u>(99,221,785)</u>		<u>-</u>
Fixed assets, net		153,478,447		-		153,478,447		-
NOTES RECEIVABLE - RELATED PARTIES								
		165,744,323		-		165,744,323		-
OTHER ASSETS								
		<u>39,820,860</u>		<u>-</u>		<u>34,835,630</u>		<u>4,985,230</u>
TOTAL ASSETS	HTG	<u>1,288,322,530</u>	HTG	<u>(384,587,060)</u>	HTG	<u>1,293,100,569</u>	HTG	<u>379,809,021</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES								
Deposits	HTG	1,134,267,402	HTG	-	HTG	1,134,267,402	HTG	-
Stock subscriptions payable		-		(6,354,750)		-		6,354,750
Long-term subordinated notes - current portion		3,271,043		-		-		3,271,043
Other notes payable - current portion		86,792,940		-		86,792,940		-
Other current liabilities		<u>69,181,214</u>		<u>(4,365,366)</u>		<u>69,181,214</u>		<u>4,365,366</u>
TOTAL CURRENT LIABILITIES		1,293,512,599		(10,720,116)		1,290,241,556		13,991,159
NOTES PAYABLE								
Other non-current liabilities		455,577		-		455,577		-
Long-term subordinated notes, less current portion		9,904,244		-		-		9,904,244
Other notes payable, less current portion		<u>99,419,125</u>		<u>-</u>		<u>99,419,125</u>		<u>-</u>
TOTAL LIABILITIES		1,403,291,545		(10,720,116)		1,390,116,258		23,895,403
SHAREHOLDERS' EQUITY								
Capital stock - HTG 25 par value								
Common - 8,048,067 shares authorized; 5,286,171 shares issued		132,170,440		(182,508,200)		182,524,451		132,154,189
Preferred - 2,500,000 shares authorized; 1,780,191 shares issued		44,504,775		-		-		44,504,775
Additional paid in capital		181,950,301		(191,358,744)		191,373,005		181,936,040
Retained earnings (deficit)		(477,416,296)		-		(474,734,910)		(2,681,386)
Accumulated other comprehensive gain (loss)		<u>3,821,765</u>		<u>-</u>		<u>3,821,765</u>		<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(114,969,015)</u>		<u>(373,866,944)</u>		<u>(97,015,689)</u>		<u>355,913,618</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>1,288,322,530</u>	HTG	<u>(384,587,060)</u>	HTG	<u>1,293,100,569</u>	HTG	<u>379,809,021</u>

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2013

ASSETS

		<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE, S.A.</u>		<u>FONKOZE S.A.</u>
CURRENT ASSETS								
Cash and cash equivalents	HTG	337,382,347	HTG	-	HTG	337,203,769	HTG	178,578
Loans		476,656,217		-		476,656,217		-
Less allowance for loan losses		<u>(28,726,746)</u>		-		<u>(28,726,746)</u>		-
Net loans		447,929,471		-		447,929,471		-
Interest receivable on loans		14,910,061		-		14,910,061		-
Accounts receivable		39,856,374		(1,403,167)		40,792,888		466,653
Stock subscriptions receivable		87,515,000		(93,869,750)		93,869,750		87,515,000
Prepaid expenses		9,830,240		-		9,830,240		-
Inventory		<u>2,873,352</u>		-		<u>2,873,352</u>		-
TOTAL CURRENT ASSETS		940,296,845		(95,272,917)		947,409,531		88,160,231
INVESTMENTS		72,129,436		(264,447,944)		72,129,436		264,447,944
FIXED ASSETS								
Accumulated depreciation		<u>(132,701,479)</u>		-		<u>(132,701,479)</u>		-
Fixed assets, net		127,767,667		-		127,767,667		-
NOTES RECEIVABLE - RELATED PARTIES		174,520,223		-		174,520,223		-
OTHER ASSETS		<u>55,881,091</u>		-		<u>51,349,718</u>		<u>4,531,373</u>
TOTAL ASSETS	HTG	<u>1,370,595,262</u>	HTG	<u>(359,720,861)</u>	HTG	<u>1,373,176,575</u>	HTG	<u>357,139,548</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES								
Deposits	HTG	1,189,566,739	HTG	-	HTG	1,189,566,739	HTG	-
Stock subscriptions payable		-		(6,354,750)		-		6,354,750
Long-term subordinated notes - current portion		3,140,740		-		-		3,140,740
Other notes payable - current portion		64,861,465		-		64,861,465		-
Other current liabilities		<u>77,598,953</u>		<u>(1,403,167)</u>		<u>77,598,953</u>		<u>1,403,167</u>
TOTAL CURRENT LIABILITIES		1,335,167,897		(7,757,917)		1,332,027,157		10,898,657
NOTES PAYABLE								
Other non-current liabilities		437,429		-		437,429		-
Long-term subordinated notes, less current portion		11,180,685		-		-		11,180,685
Other notes payable, less current portion		<u>89,775,739</u>		-		<u>89,775,739</u>		-
TOTAL LIABILITIES		1,436,561,750		(7,757,917)		1,422,240,325		22,079,342
SHAREHOLDERS' EQUITY								
Capital stock - HTG 25 par value								
Common - 8,048,067 shares authorized; 5,086,017 shares issued		127,166,598		(172,508,201)		172,524,450		127,150,349
Preferred - 2,500,000 shares authorized; 1,580,191 shares issued		39,504,775		-		-		39,504,775
Additional paid in capital		170,041,728		(179,454,743)		179,469,004		170,027,467
Retained earnings (deficit)		(406,091,298)		-		(404,468,913)		(1,622,385)
Accumulated other comprehensive gain (loss)		<u>3,411,709</u>		-		<u>3,411,709</u>		-
TOTAL SHAREHOLDERS' EQUITY		<u>(65,966,488)</u>		<u>(351,962,944)</u>		<u>(49,063,750)</u>		<u>335,060,206</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	HTG	<u>1,370,595,262</u>	HTG	<u>(359,720,861)</u>	HTG	<u>1,373,176,575</u>	HTG	<u>357,139,548</u>

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>CONSOLIDATED</u>		<u>RECLASSIFICATIONS & ELIMINATIONS</u>		<u>SEVIS FINANSYÉ FONKOZE, S.A.</u>		<u>FONKOZE S.A.</u>	
	HTG		HTG	-	HTG		HTG	
INTEREST INCOME								
Loans	247,808,935		-		247,808,935		-	
Other	<u>363,189</u>		<u>-</u>		<u>363,189</u>		<u>-</u>	
TOTAL INTEREST INCOME	248,172,124		-		248,172,124		-	
INTEREST EXPENSE								
Deposits	4,522,371		-		4,522,371		-	
Debt	<u>7,129,443</u>		<u>-</u>		<u>6,352,472</u>		<u>776,971</u>	
TOTAL INTEREST EXPENSE	11,651,814		-		10,874,843		776,971	
NET INTEREST INCOME	236,520,310		-		237,297,281		(776,971)	
Provisions for loan losses	<u>23,239,158</u>		<u>-</u>		<u>23,239,158</u>		<u>-</u>	
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	213,281,152		-		214,058,123		(776,971)	
OTHER OPERATING INCOME								
Membership dues	3,454,970		-		3,454,970		-	
Income from currency exchange	28,454,941		-		28,454,941		-	
Income from remittance services	20,750,265		-		20,750,265		-	
Recoveries of loans written off	9,551,724		-		9,551,724		-	
Savings account fees	17,800,920		-		17,800,920		-	
Other	<u>6,848,727</u>		<u>-</u>		<u>6,848,727</u>		<u>-</u>	
NET INTEREST INCOME AND OTHER INCOME	300,142,699		-		300,919,670		(776,971)	
OPERATING EXPENSES								
Salaries	181,820,700		-		181,820,700		-	
Premises and equipment expenses	62,527,804		-		62,527,804		-	
Depreciation and amortization	17,967,014		-		17,967,014		-	
Other expenses	<u>79,819,288</u>		<u>-</u>		<u>79,726,606</u>		<u>92,682</u>	
TOTAL OPERATING EXPENSE	342,134,806		-		342,042,124		92,682	
NET LOSS FROM OPERATIONS BEFORE INCOME TAX	(41,992,107)		-		(41,122,454)		(869,653)	
OTHER INCOME (EXPENSE)								
Gain (loss) due to revaluation	(9,711,220)		-		(9,068,015)		(643,205)	
Loss on revaluation of MiCRO investment	(44,559,696)		-		(44,559,696)		-	
Operating grants	45,608,313		-		45,608,313		-	
Non-operating income	4,432,235		-		4,432,235		-	
MiCRO Insurance Ti Machann	(4,331,077)		-		(4,331,077)		-	
Parametric and basis risk payouts received from MiCRO	-		-		-		-	
Catastrophe insurance premiums	(17,780,526)		-		(17,780,526)		-	
Kore W catastrophic expenses	<u>(80,920)</u>		<u>-</u>		<u>(80,920)</u>		<u>-</u>	
NET LOSS BEFORE TAX	(68,414,998)		-		(66,902,140)		(1,512,858)	
PROVISION FOR INCOME TAX	<u>(2,910,000)</u>		<u>-</u>		<u>(3,363,857)</u>		<u>453,857</u>	
NET LOSS	(71,324,998)		-		(70,265,997)		(1,059,001)	
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>(406,091,298)</u>		<u>-</u>		<u>(404,468,913)</u>		<u>(1,622,385)</u>	
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG <u>(477,416,296)</u>		HTG <u>-</u>		HTG <u>(474,734,910)</u>		HTG <u>(2,681,386)</u>	

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	CONSOLIDATED		RECLASSIFICATIONS & ELIMINATIONS		SEVIS FINANSYE FONKOZE, S.A.		FONKOZE S.A.	
INTEREST INCOME								
Loans	HTG	229,559,425	HTG	-	HTG	229,559,425	HTG	-
Other		<u>135,993</u>		<u>-</u>		<u>135,993</u>		<u>-</u>
TOTAL INTEREST INCOME		229,695,418		-		229,695,418		-
INTEREST EXPENSE								
Deposits		12,844,830		-		12,844,830		-
Debt		<u>6,631,900</u>		<u>-</u>		<u>5,915,829</u>		<u>716,071</u>
TOTAL INTEREST EXPENSE		19,476,730		-		18,760,659		716,071
NET INTEREST INCOME		210,218,688		-		210,934,759		(716,071)
Provisions for loan losses		<u>62,629,719</u>		<u>-</u>		<u>62,629,719</u>		<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES		147,588,969		-		148,305,040		(716,071)
OTHER OPERATING INCOME								
Membership dues		3,883,932		-		3,883,932		-
Income from currency exchange		38,896,063		-		38,896,063		-
Income from remittance services		20,046,063		-		20,046,063		-
Recoveries of loans written off		4,763,403		-		4,763,403		-
Savings account fees		16,138,443		-		16,138,443		-
Other		<u>12,268,263</u>		<u>-</u>		<u>12,268,263</u>		<u>-</u>
NET INTEREST INCOME AND OTHER INCOME		243,585,136		-		244,301,207		(716,071)
OPERATING EXPENSES								
Salaries		214,664,236		-		214,664,236		-
Premises and equipment expenses		59,240,645		-		59,240,645		-
Depreciation and amortization		19,582,516		-		19,582,516		-
Other expenses		<u>52,010,011</u>		<u>-</u>		<u>52,010,011</u>		<u>-</u>
TOTAL OPERATING EXPENSE		<u>345,497,408</u>		<u>-</u>		<u>345,497,408</u>		<u>-</u>
NET LOSS FROM OPERATIONS BEFORE INCOME TAX		(101,912,272)		-		(101,196,201)		(716,071)
OTHER INCOME (EXPENSE)								
Gain (loss) due to revaluation		(19,208,734)		-		(19,140,200)		(68,534)
Loss on revaluation of MiCRO investment		-		-		-		-
Operating grants		89,351,497		-		89,351,497		-
Non-operating income		3,127,480		-		3,127,480		-
MiCRO Insurance Ti Machann		(10,579,109)		-		(10,579,109)		-
Parametric and basis risk payouts received from MiCRO		182,699,966		-		182,699,966		-
Catastrophe insurance premiums		(43,931,678)		-		(43,931,678)		-
Kore W catastrophic expenses		<u>(134,373,809)</u>		<u>-</u>		<u>(134,373,809)</u>		<u>-</u>
NET LOSS BEFORE TAX		(34,826,659)		-		(34,042,054)		(784,605)
PROVISION FOR INCOME TAX		<u>(546,259)</u>		<u>-</u>		<u>(781,641)</u>		<u>235,382</u>
NET LOSS		(35,372,918)		-		(34,823,695)		(549,223)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR		<u>(370,718,380)</u>		<u>-</u>		<u>(369,645,218)</u>		<u>(1,073,162)</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	HTG	<u>(406,091,298)</u>	HTG	<u>-</u>	HTG	<u>(404,468,913)</u>	HTG	<u>(1,622,385)</u>

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2014

		ASSETS			
		<u>CONSOLIDATED</u>	<u>RECLASSIFICATIONS & ELIMINATIONS</u>	<u>SEVIS FINANSYÉ FONKOZE, S.A.</u>	<u>FONKOZE S.A.</u>
CURRENT ASSETS					
Cash and cash equivalents	USD	7,544,342	USD -	USD 7,540,260	USD 4,082
Loans		10,952,597	-	10,952,597	-
Less allowance for loan losses		<u>(316,909)</u>	<u>-</u>	<u>(316,909)</u>	<u>-</u>
Net loans		10,635,688	-	10,635,688	-
Interest receivable on loans		370,063	-	370,063	-
Accounts receivable		920,403	(95,821)	999,424	16,800
Stock subscriptions receivable		121	(139,488)	139,488	121
Prepaid expenses		181,529	-	181,529	-
Inventory		<u>66,369</u>	<u>-</u>	<u>66,369</u>	<u>-</u>
TOTAL CURRENT ASSETS		19,718,515	(235,309)	19,932,821	21,003
INVESTMENTS		679,329	(8,206,449)	679,329	8,206,449
FIXED ASSETS					
Accumulated depreciation		<u>(2,177,937)</u>	<u>-</u>	<u>(2,177,937)</u>	<u>-</u>
Fixed assets, net		3,368,880	-	3,368,880	-
NOTES RECEIVABLE - RELATED PARTIES		3,638,119	-	3,638,119	-
OTHER ASSETS		<u>874,076</u>	<u>-</u>	<u>764,649</u>	<u>109,427</u>
TOTAL ASSETS	USD	<u>28,278,919</u>	USD <u>(8,441,758)</u>	USD <u>28,383,798</u>	USD <u>8,336,879</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Deposits	USD	24,897,381	USD -	USD 24,897,381	USD -
Stock subscriptions payable		-	(139,488)	-	139,488
Long-term subordinated notes - current portion		71,800	-	-	71,800
Other notes payable - current portion		1,905,122	-	1,905,122	-
Other current liabilities		<u>1,518,540</u>	<u>(95,821)</u>	<u>1,518,540</u>	<u>95,821</u>
TOTAL CURRENT LIABILITIES		28,392,843	(235,309)	28,321,043	307,109
NOTES PAYABLE					
Other non-current liabilities		10,000	-	10,000	-
Long-term subordinated notes, less current portion		217,400	-	-	217,400
Other notes payable, less current portion		<u>2,182,268</u>	<u>-</u>	<u>2,182,268</u>	<u>-</u>
TOTAL LIABILITIES		30,802,511	(235,309)	30,513,311	524,509
SHAREHOLDERS' EQUITY					
Capital stock - HTG 25 par value					
Common - 8,048,067 shares authorized; 5,286,171 shares issued		2,901,166	(4,006,089)	4,006,446	2,900,809
Preferred - 2,500,000 shares authorized; 1,780,191 shares issued		976,888	-	-	976,888
Additional paid in capital		3,993,843	(4,200,360)	4,200,673	3,993,530
Retained earnings (deficit)		(10,479,377)	-	(10,420,520)	(58,857)
Accumulated other comprehensive gain (loss)		<u>83,888</u>	<u>-</u>	<u>83,888</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(2,523,592)</u>	<u>(8,206,449)</u>	<u>(2,129,513)</u>	<u>7,812,370</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD	<u>28,278,919</u>	USD <u>(8,441,758)</u>	USD <u>28,383,798</u>	USD <u>8,336,879</u>

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2013

ASSETS							
	<u>CONSOLIDATED</u>	RECLASSIFICATIONS & ELIMINATIONS	SEVIS FINANSYÉ FONKOZE, S.A.	FONKOZE S.A.			
CURRENT ASSETS							
Cash and cash equivalents	USD 7,712,848	USD -	USD 7,708,766	USD 4,082			
Loans	10,896,768	-	10,896,768	-			
Less allowance for loan losses	<u>(656,718)</u>	<u>-</u>	<u>(656,718)</u>	<u>-</u>			
Net loans	10,240,050	-	10,240,050	-			
Interest receivable on loans	340,857	-	340,857	-			
Accounts receivable	911,151	(32,077)	932,560	10,668			
Stock subscriptions receivable	2,000,667	(2,145,943)	2,145,942	2,000,668			
Prepaid expenses	224,728	-	224,728	-			
Inventory	<u>65,687</u>	<u>-</u>	<u>65,687</u>	<u>-</u>			
TOTAL CURRENT ASSETS	21,495,988	(2,178,020)	21,658,590	2,015,418			
INVESTMENTS	1,648,940	(6,045,506)	1,648,940	6,045,506			
FIXED ASSETS							
Accumulated depreciation	5,954,547	-	5,954,547	-			
Fixed assets, net	<u>(3,033,669)</u>	<u>-</u>	<u>(3,033,669)</u>	<u>-</u>			
Fixed assets, net	2,920,878	-	2,920,878	-			
NOTES RECEIVABLE - RELATED PARTIES							
	3,989,681	-	3,989,681	-			
OTHER ASSETS							
	<u>1,277,489</u>	<u>-</u>	<u>1,173,898</u>	<u>103,591</u>			
TOTAL ASSETS	USD <u>31,332,976</u>	USD <u>(8,223,526)</u>	USD <u>31,391,987</u>	USD <u>8,164,515</u>			
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Deposits	USD 27,194,510	USD -	USD 27,194,510	USD -			
Stock subscriptions payable	-	(145,275)	-	145,275			
Long-term subordinated notes - current portion	71,800	-	-	71,800			
Other notes payable - current portion	1,482,788	-	1,482,788	-			
Other current liabilities	<u>1,773,977</u>	<u>(32,078)</u>	<u>1,773,977</u>	<u>32,078</u>			
TOTAL CURRENT LIABILITIES	30,523,075	(177,353)	30,451,275	249,153			
NOTES PAYABLE							
Other non-current liabilities	10,000	-	10,000	-			
Long-term subordinated notes, less current portion	255,600	-	-	255,600			
Other notes payable, less current portion	<u>2,052,350</u>	<u>-</u>	<u>2,052,350</u>	<u>-</u>			
TOTAL LIABILITIES	32,841,025	(177,353)	32,513,625	504,753			
SHAREHOLDERS' EQUITY							
Capital stock - HTG 25 par value							
Common - 8,048,067 shares authorized; 5,086,017 shares issued	2,907,137	(3,943,685)	3,944,057	2,906,765			
Preferred - 2,500,000 shares authorized; 1,580,191 shares issued	903,113	-	-	903,113			
Additional paid in capital	3,887,299	(4,102,488)	4,102,814	3,886,973			
Retained earnings (deficit)	(9,283,593)	-	(9,246,504)	(37,089)			
Accumulated other comprehensive gain (loss)	<u>77,995</u>	<u>-</u>	<u>77,995</u>	<u>-</u>			
TOTAL SHAREHOLDERS' EQUITY	(1,508,049)	(8,046,173)	(1,121,638)	7,659,762			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	USD <u>31,332,976</u>	USD <u>(8,223,526)</u>	USD <u>31,391,987</u>	USD <u>8,164,515</u>			

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
AS OF SEPTEMBER 30, 2014

	<u>CONSOLIDATED</u>	<u>RECLASSIFICATIONS & ELIMINATIONS</u>	<u>SEVIS FINANSYÉ FONKOZE, S.A.</u>	<u>FONKOZE S.A.</u>
INTEREST INCOME				
Loans	USD 5,439,452	USD -	USD 5,439,452	USD -
Other	<u>7,972</u>	<u>-</u>	<u>7,972</u>	<u>-</u>
TOTAL INTEREST INCOME	5,447,424	-	5,447,424	-
INTEREST EXPENSE				
Deposits	99,267	-	99,267	-
Debt	<u>156,493</u>	<u>-</u>	<u>139,438</u>	<u>17,055</u>
TOTAL INTEREST EXPENSE	255,760	-	238,705	17,055
NET INTEREST INCOME	5,191,664	-	5,208,719	(17,055)
Provisions for loan losses	<u>510,104</u>	<u>-</u>	<u>510,104</u>	<u>-</u>
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	4,681,560	-	4,698,615	(17,055)
OTHER OPERATING INCOME				
Membership dues	75,837	-	75,837	-
Income from currency exchange	624,591	-	624,591	-
Income from remittance services	455,472	-	455,472	-
Recoveries of loans written off	209,662	-	209,662	-
Savings account fees	390,734	-	390,734	-
Other	<u>150,331</u>	<u>-</u>	<u>150,331</u>	<u>-</u>
NET INTEREST INCOME AND OTHER INCOME	6,588,187	-	6,605,242	(17,055)
OPERATING EXPENSES				
Salaries	3,990,998	-	3,990,998	-
Premises and equipment expenses	1,372,497	-	1,372,497	-
Depreciation and amortization	394,379	-	394,379	-
Other expenses	<u>1,752,048</u>	<u>-</u>	<u>1,750,014</u>	<u>2,034</u>
TOTAL OPERATING EXPENSE	7,509,922	-	7,507,888	2,034
NET LOSS FROM OPERATIONS BEFORE INCOME TAX	(921,735)	-	(902,646)	(19,089)
OTHER INCOME (EXPENSE)				
Gain (loss) due to revaluation	(213,162)	-	(199,044)	(14,118)
Loss on revaluation of MiCRO investment	(978,094)	-	(978,094)	-
Operating grants	1,001,111	-	1,001,111	-
Non-operating income	97,288	-	97,288	-
MiCRO Insurance Ti Machann	(95,068)	-	(95,068)	-
Parametric and basis risk payouts received from MiCRO	-	-	-	-
Catastrophe insurance premiums	(390,286)	-	(390,286)	-
Kore W catastrophic expenses	<u>(1,776)</u>	<u>-</u>	<u>(1,776)</u>	<u>-</u>
NET LOSS BEFORE TAX	(1,501,722)	-	(1,468,515)	(33,207)
PROVISION FOR INCOME TAX	<u>(63,875)</u>	<u>-</u>	<u>(73,837)</u>	<u>9,962</u>
NET LOSS	(1,565,597)	-	(1,542,352)	(23,245)
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>(8,913,780)</u>	<u>-</u>	<u>(8,878,168)</u>	<u>(35,612)</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	USD <u>(10,479,377)</u>	USD <u>-</u>	USD <u>(10,420,520)</u>	USD <u>(58,857)</u>

FONKOZE S.A. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT
AS OF SEPTEMBER 30, 2013

	CONSOLIDATED		RECLASSIFICATIONS & ELIMINATIONS		SEVIS FINANSYE FONKOZE, S.A.		FONKOZE S.A.	
	USD		USD		USD		USD	
INTEREST INCOME								
Loans	5,247,924		-		5,247,924		-	
Other	<u>3,109</u>		<u>-</u>		<u>3,109</u>		<u>-</u>	
TOTAL INTEREST INCOME	5,251,033		-		5,251,033		-	
INTEREST EXPENSE								
Deposits	293,644		-		293,644		-	
Debt	<u>151,611</u>		<u>-</u>		<u>135,241</u>		<u>16,370</u>	
TOTAL INTEREST EXPENSE	445,255		-		428,885		16,370	
NET INTEREST INCOME	4,805,778		-		4,822,148		(16,370)	
Provisions for loan losses	<u>1,431,768</u>		<u>-</u>		<u>1,431,768</u>		<u>-</u>	
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	3,374,010		-		3,390,380		(16,370)	
OTHER OPERATING INCOME								
Membership dues	88,790		-		88,790		-	
Income from currency exchange	889,197		-		889,197		-	
Income from remittance services	458,270		-		458,270		-	
Recoveries of loans written off	108,895		-		108,895		-	
Savings account fees	368,939		-		368,939		-	
Other	<u>280,464</u>		<u>-</u>		<u>280,464</u>		<u>-</u>	
NET INTEREST INCOME AND OTHER INCOME	5,568,565		-		5,584,935		(16,370)	
OPERATING EXPENSES								
Salaries	4,907,407		-		4,907,407		-	
Premises and equipment expenses	1,354,292		-		1,354,292		-	
Depreciation and amortization	447,673		-		447,673		-	
Other expenses	<u>1,188,993</u>		<u>-</u>		<u>1,188,993</u>		<u>-</u>	
TOTAL OPERATING EXPENSE	7,898,365		-		7,898,365		-	
NET LOSS FROM OPERATIONS BEFORE INCOME TAX	(2,329,800)		-		(2,313,430)		(16,370)	
OTHER INCOME (EXPENSE)								
Gain (loss) due to revaluation	(439,128)		-		(437,561)		(1,567)	
Loss on revaluation of MiCRO investment	-		-		-		-	
Operating grants	2,042,651		-		2,042,651		-	
Non-operating income	71,497		-		71,497		-	
MiCRO Insurance Ti Machann	(241,848)		-		(241,848)		-	
Parametric and basis risk payouts received from MiCRO	4,176,677		-		4,176,677		-	
Catastrophe insurance premiums	(1,004,316)		-		(1,004,316)		-	
Kore W catastrophic expenses	<u>(3,071,900)</u>		<u>-</u>		<u>(3,071,900)</u>		<u>-</u>	
NET LOSS BEFORE TAX	(796,167)		-		(778,230)		(17,937)	
PROVISION FOR INCOME TAX	<u>(12,488)</u>		<u>-</u>		<u>(17,869)</u>		<u>5,381</u>	
NET LOSS	(808,655)		-		(796,099)		(12,556)	
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>(8,474,938)</u>		<u>-</u>		<u>(8,450,405)</u>		<u>(24,533)</u>	
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	USD <u>(9,283,593)</u>	USD	<u>-</u>	USD	<u>(9,246,504)</u>	USD	<u>(37,089)</u>	