

FONKOZE USA, INC.  
WASHINGTON, DC

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AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013



CRAFT, NOBLE & COMPANY  
PLLC

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Fonkoze USA, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities, functional expenses, 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 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 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 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 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 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 Fonkoze USA, Inc. as of December 31, 2014 and 2013 and the changes in its net assets and 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, Kentucky  
April 22, 2015



FONKOZE USA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 267,205	\$ 278,162
Interest receivable	17,500	33,368
Loans receivable - current portion	1,764,000	1,559,886
Prepaid expenses	14,449	13,697
Donations receivable	31,095	65,372
Pledges receivable	-	500
Grants receivable - current portion	559,453	1,227,928
Other receivables	5,719	59,705
<b>TOTAL CURRENT ASSETS</b>	<u>2,659,421</u>	<u>3,238,618</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	11,807	8,975
Computer equipment	3,386	3,386
Software	11,741	11,741
Website Upgrades	13,850	13,850
Less: Accumulated depreciation and amortization	(26,411)	(16,589)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>14,373</u>	<u>21,363</u>
<b>INVESTMENTS</b>	1,227,314	1,287,443
<b>GRANTS RECEIVABLE - less current portion</b>	-	75,000
<b>LOANS RECEIVABLE - less current portion</b>	1,276,124	1,444,124
<b>OTHER ASSETS</b>	<u>10,417</u>	<u>11,847</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,187,649</u>	<u>\$ 6,078,395</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 80,570	\$ 73,985
Deferred revenue	1,750	2,000
Grants payable	395,000	300,000
Interest payable	9,973	9,564
Loans payable - investors, current portion	1,764,000	1,559,886
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,251,293</u>	<u>1,945,435</u>
<b>LOANS PAYABLE - INVESTORS, less current portion</b>	<u>1,186,124</u>	<u>1,344,124</u>
<b>TOTAL LIABILITIES</b>	<u>3,437,417</u>	<u>3,289,559</u>
<b>NET ASSETS</b>		
Unrestricted	369,781	600,910
Unrestricted - Board designated	624,225	684,202
Temporarily restricted	654,226	1,401,724
Permanently restricted	102,000	102,000
<b>TOTAL NET ASSETS</b>	<u>1,750,232</u>	<u>2,788,836</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,187,649</u>	<u>\$ 6,078,395</u>

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

FONKOZE USA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>								
Contributions and grants	\$ 1,141,239	\$ 1,881,250	\$ -	\$ 3,022,489	\$ 1,242,204	\$ 1,633,231	\$ 5,000	\$ 2,880,435
In-kind donations	43,589	-	-	43,589	28,386	-	-	28,386
Interest, dividend, and capital gain income	102,950	-	-	102,950	103,929	-	-	103,929
Delegation income	14,572	-	-	14,572	4,820	-	-	4,820
Realized gain (loss) on investments	13,464	-	-	13,464	3,032	-	-	3,032
Unrealized gain (loss) on investments	(7,965)	-	-	(7,965)	26,566	-	-	26,566
Other income	2	-	-	2	53,204	-	-	53,204
Net assets released from restrictions:								
Satisfaction of program restrictions	2,628,748	(2,628,748)	-	-	1,794,491	(1,794,491)	-	-
<b>TOTAL REVENUES</b>	<b>3,936,599</b>	<b>(747,498)</b>	<b>-</b>	<b>3,189,101</b>	<b>3,256,632</b>	<b>(161,260)</b>	<b>5,000</b>	<b>3,100,372</b>
<b>EXPENSES</b>								
<b>PROGRAM SERVICES</b>								
Grants to Fondasyon Kole Zepòl	2,486,020	-	-	2,486,020	1,550,271	-	-	1,550,271
Grants to Sèvis Finansye Fonkoze	648,812	-	-	648,812	606,635	-	-	606,635
Grants to development partners	176,282	-	-	176,282	197,252	-	-	197,252
Education	137,434	-	-	137,434	99,583	-	-	99,583
Other Program Expenses	257,213	-	-	257,213	282,518	-	-	282,518
<b>TOTAL PROGRAM SERVICES</b>	<b>3,705,761</b>	<b>-</b>	<b>-</b>	<b>3,705,761</b>	<b>2,736,259</b>	<b>-</b>	<b>-</b>	<b>2,736,259</b>
<b>SUPPORTING SERVICES</b>								
Fundraising	240,436	-	-	240,436	232,364	-	-	232,364
Administration	281,508	-	-	281,508	234,996	-	-	234,996
<b>TOTAL SUPPORTING SERVICES</b>	<b>521,944</b>	<b>-</b>	<b>-</b>	<b>521,944</b>	<b>467,360</b>	<b>-</b>	<b>-</b>	<b>467,360</b>
<b>TOTAL EXPENSES</b>	<b>4,227,705</b>	<b>-</b>	<b>-</b>	<b>4,227,705</b>	<b>3,203,619</b>	<b>-</b>	<b>-</b>	<b>3,203,619</b>
<b>CHANGE IN NET ASSETS</b>	<b>(291,106)</b>	<b>(747,498)</b>	<b>-</b>	<b>(1,038,604)</b>	<b>53,013</b>	<b>(161,260)</b>	<b>5,000</b>	<b>(103,247)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,285,112</b>	<b>1,401,724</b>	<b>102,000</b>	<b>2,788,836</b>	<b>1,232,099</b>	<b>1,562,984</b>	<b>97,000</b>	<b>2,892,083</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 994,006</b>	<b>\$ 654,226</b>	<b>\$ 102,000</b>	<b>\$ 1,750,232</b>	<b>\$ 1,285,112</b>	<b>\$ 1,401,724</b>	<b>\$ 102,000</b>	<b>\$ 2,788,836</b>

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

FONKOZE USA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Amos family expenses	\$ -	\$ -	\$ 13,580	\$ -	\$ -	\$ 13,580
Bank charges	-	-	-	-	6,516	6,516
Board meetings	-	-	-	-	16,712	16,712
Contract services	-	1,631	4,687	13,368	6,713	26,399
Delegations to Haiti	-	17,551	-	-	-	17,551
Depreciation	-	-	-	-	9,822	9,822
Diaspora work	-	-	15,909	-	-	15,909
Donor Acquisition	-	-	-	56,724	-	56,724
Dues and subscriptions	-	-	-	-	2,000	2,000
Educational Events	-	290	-	-	-	290
FFCC Related Expenses	-	1,405	-	-	5,520	6,925
Fundraising events	-	-	-	11,107	-	11,107
Grants to Development Partners	176,282	-	-	-	-	176,282
Grants to Fondasyon Kole Zepòl	2,486,020	-	-	-	-	2,486,020
Grants to Sèvis Finansye Fonkoze	648,812	-	-	-	-	648,812
IDRF Expenses	-	860	-	-	-	860
Insurance	-	3,071	6,606	4,422	11,307	25,406
Interest expense	-	-	32,423	-	-	32,423
Licenses and permits	-	-	-	-	5,250	5,250
Miscellaneous	-	-	5,079	-	1,542	6,621
Office utilities & maintenance	-	902	2,131	1,115	2,117	6,265
Payroll taxes and fees	-	5,044	6,986	6,540	7,692	26,262
Postage and delivery	-	393	641	7,397	2,970	11,401
Printing	-	4,595	3,804	22,383	4,610	35,392
Professional services	-	270	22,355	485	35,987	59,097
Rent	-	14,813	37,146	20,760	52,083	124,802
Retirement plan	-	4,890	2,700	5,700	10,710	24,000
Salaries	-	58,970	78,940	78,564	84,173	300,647
Social media/communications	-	4,250	14,619	1,978	250	21,097
Supplies	-	62	437	240	1,238	1,977
Technology	-	697	2,653	1,301	10,510	15,161
Telephone	-	830	320	1,136	742	3,028
Training	-	-	-	-	912	912
Travel	-	16,910	6,197	7,216	2,132	32,455
Website	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 3,311,114</b>	<b>\$ 137,434</b>	<b>\$ 257,213</b>	<b>\$ 240,436</b>	<b>\$ 281,508</b>	<b>\$ 4,227,705</b>

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

FONKOZE USA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Amos family expenses	\$ -	\$ -	\$ 4,282	\$ -	\$ -	\$ 4,282
Bank charges	-	-	-	-	7,304	7,304
Board meetings	-	-	-	-	22,979	22,979
Contract services	-	1,456	4,086	4,453	1,923	11,918
Delegations to Haiti	-	7,889	-	-	-	7,889
Depreciation & Amortization	-	-	-	-	3,491	3,491
Diaspora work	-	-	15,763	-	-	15,763
Donor Acquisition	-	-	-	34,189	-	34,189
Dues and subscriptions	-	11	-	455	2,050	2,516
Educational Events	-	2,613	-	-	-	2,613
FFCC Related Expenses	-	-	-	2,190	8,626	10,816
Fundraising events	-	-	-	1,630	-	1,630
Grants to Development Partners	197,252	-	-	-	-	197,252
Grants to Fondasyon Kole Zepèl	1,550,271	-	-	-	-	1,550,271
Grants to Sèvis Finansye Fonkoze	606,635	-	-	-	-	606,635
IDRF Expenses	-	-	43,134	-	-	43,134
Insurance	-	2,548	4,164	4,631	16,230	27,573
Interest expense	-	-	34,248	-	-	34,248
Licenses and permits	-	-	-	-	4,870	4,870
Miscellaneous	-	45	3,016	116	526	3,703
Office utilities & maintenance	-	660	2,253	1,217	1,978	6,108
Payroll taxes and fees	-	4,571	8,474	8,833	8,971	30,849
Postage and delivery	-	281	939	8,978	2,362	12,560
Printing	-	3,235	211	20,790	4,897	29,133
Professional services	-	-	23,832	-	16,826	40,658
Rent	-	7,395	24,276	13,849	22,176	67,696
Retirement plan	-	2,940	2,363	5,150	10,797	21,250
Salaries	-	57,076	95,575	114,736	80,646	348,033
Social media/communications	-	-	6,913	793	187	7,893
Supplies	-	30	209	176	1,875	2,290
Technology	-	701	1,379	858	10,447	13,385
Telephone	-	1,483	397	2,651	1,032	5,563
Training	-	-	-	-	1,990	1,990
Travel	-	6,649	7,004	6,551	2,813	23,017
Website	-	-	-	118	-	118
<b>TOTAL</b>	<b>\$ 2,354,158</b>	<b>\$ 99,583</b>	<b>\$ 282,518</b>	<b>\$ 232,364</b>	<b>\$ 234,996</b>	<b>\$ 3,203,619</b>

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

FONKOZE USA, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,038,604)	\$ (103,247)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,822	3,491
Realized (gain) loss on investments	(13,464)	(3,032)
Unrealized (gain) loss on investments	7,965	(26,566)
Investments received as donations	(250,497)	(235,610)
(Increase) decrease in:		
Interest receivable	15,868	2,385
Prepaid expenses	(752)	(7,640)
Donations receivable	34,277	(21,401)
Pledges receivable	500	-
Grants receivable	743,475	123,814
Other receivables	53,986	(48,042)
Security deposits	1,430	(1,000)
Increase (decrease) in:		
Accounts payable	6,585	50,829
Deferred revenue	(250)	2,000
Grants payable	95,000	(200,000)
Interest payable	409	1,281
	<u>(334,250)</u>	<u>(462,738)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,832)	(17,650)
Purchase of investments	(34,277)	(92,502)
Proceeds from sales of investments	350,402	238,642
	<u>313,293</u>	<u>128,490</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) decrease in loans receivable	(36,114)	(161,356)
Increase (decrease) in loans payable- investors	46,114	60,177
	<u>10,000</u>	<u>(101,179)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	(10,957)	(435,427)
<b>CASH AT BEGINNING OF YEAR</b>	<u>278,162</u>	<u>713,589</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 267,205</u>	<u>\$ 278,162</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	<u>\$ 32,014</u>	<u>\$ 32,967</u>

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



FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Fonkoze USA, Inc. (the Organization) was established at the initiative of individuals in the United States to raise both donated and invested funds in order to provide grants, loans, and technical assistance to the organized poor of Haiti, and to promote education in the U.S. about alternative approaches to democratic and sustainable economic development in Haiti. At the first organizational meeting, the Board of Directors of Fonkoze USA, Inc. voted that Fondasyon Kole Zepòl (a Haitian Foundation) would be a recipient of such grants and loans approved by the Board to support programs and activities benefiting the poor. At subsequent meetings of the Board of Directors, additional Haitian organizations, called Development Partners, and Sèvis Finansye Fonkoze (a Haitian financial institution) were approved as Fonkoze USA, Inc. grant recipients. In addition, Sèvis Finansye Fonkoze was approved as a loan recipient.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in ASC 958-205, *Not-For-Profit-Entities – Presentation of Financial Statements* (formerly SFAS No. 117). Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2014, the Organization had \$654,226 of temporarily restricted net assets and \$102,000 of permanently restricted net assets. \$613,660 of the temporarily restricted net assets were restricted for Fondasyon Kole Zepòl; \$5,158 was restricted for Sèvis Finansye Fonkoze, and the balance of \$35,408 was restricted for Development Partners. All permanently restricted net assets were restricted for the Endowment Fund. At December 31, 2013, the Organization had \$1,401,724 of temporarily restricted net assets and \$102,000 of permanently restricted net assets. \$749,181 of the temporarily restricted net assets were restricted for Fondasyon Kole Zepòl; \$572,015 was restricted for Sèvis Finansye Fonkoze, and the balance of \$80,528 was restricted for Development Partners. All permanently restricted net assets were restricted for the Endowment Fund.

Estimates

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

Cash and Cash Equivalents

For purposes of the financial statement presentation, cash and cash equivalents include all demand accounts.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a cost of more than \$1,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Investments

Investments are carried at market value. Accordingly, unrealized gains and losses, due to market fluctuations during the year, are recognized at year-end. Realized gains and losses are recognized upon sale or disposal.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Organization does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. Loans receivable are due from Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze. The loans receivables from Fondasyon Kole Zepòl at December 31, 2014 and 2013 were \$578,624 and \$1,130,510, respectively. The loans receivable from Sèvis Finansye Fonkoze at December 31, 2014 and 2013 were \$2,461,500 and \$1,873,500, respectively. Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze are contractually obligated to maintain a reserve invested in investment grade securities equal to fifteen percent of loans from Fonkoze USA.

Promises to Give

Contributions and grants are recognized when the donor or grantor makes a promise to give to the Organization that is, in substance, unconditional. The Organization values pledges receivable (unconditional promises to give) at their value as of the pledge date. There were no pledges receivable for the year ended December 31, 2014. Pledges receivable for the year ended December 31, 2013 were receivable from one donor. The entire amount receivable of \$500 is receivable within one year. No allowance for uncollectible promises receivable is maintained, as all promises are deemed to be collectible due to past donation history from the current pledge.

The Organization values grants receivable at their value as of the grant date. Grants receivable at December 31, 2014 were \$559,453. Grants receivable at December 31, 2013 were \$1,302,928.

Revenues and Expenses

The Organization's financial statements are prepared using the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid on the accompanying balance sheets.

Restricted and Unrestricted Revenue

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor related revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of a restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Income Taxes

The Organization has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is not aware of any unrelated business income as of April 22, 2015. 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 Organization has never been audited by the Internal Revenue Service (IRS). However, the tax years 2011 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 2 – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Postage	\$ 1,018	\$ 125
Insurance	4,341	6,138
Office security	200	200
Licenses and permits	66	61
Fundraising Event	-	3,300
Training	2,275	-
Computer technology	<u>6,549</u>	<u>3,873</u>
Total	<u>\$ 14,449</u>	<u>\$ 13,697</u>

NOTE 3 – INVESTMENTS

Investments held by the Organization consisted of the following as of December 31, 2014:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 1,058	\$ 1,049	(9)
Mutual funds	492,519	514,757	22,238
Securities	207,171	209,908	2,737
Investment in Fonkoze SA	<u>501,600</u>	<u>501,600</u>	-
Balance, December 31, 2014	<u>\$ 1,202,348</u>	<u>\$ 1,227,314</u>	24,966
Balance, December 31, 2013	<u>\$ 1,254,512</u>	<u>\$ 1,287,443</u>	<u>32,931</u>
Unrealized gain (loss) on investments			<u>\$ (7,965)</u>

Investments held by the Organization consisted of the following as of December 31, 2013:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ -	\$ -	\$ -
Mutual funds	531,465	556,443	24,978
Securities	221,447	229,400	7,953
Investment in Fonkoze SA	<u>501,600</u>	<u>501,600</u>	-
Balance, December 31, 2013	<u>\$ 1,254,512</u>	<u>\$ 1,287,443</u>	32,931
Balance, December 31, 2012	<u>\$ 1,162,011</u>	<u>\$ 1,168,376</u>	<u>6,365</u>
Unrealized gain (loss) on investments			<u>\$ 26,566</u>

The investments in money market funds, mutual funds and securities include unrestricted investments as well as investments held in an Endowment account. See Note 8 for a full description of the Organization's Endowment account.

FONKOZE USA, INC.  
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NOTE 3 – INVESTMENTS (CONTINUED)

The investment in Fonkoze SA represents a 5.7% interest in that holding company. This includes a 6.3% interest in voting shares and a 3.86% interest in non-voting shares. The value of this investment was determined using the cost method. Management has determined that cost approximates fair value. Fonkoze SA shares a common mission with the Organization and is considered a related party.

**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.

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 December 31, 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>December 31, 2014</u>				
Available-for-sale securities	\$	501,600	\$ -	\$ -
Trading securities		<u>725,714</u>	<u>725,714</u>	<u>-</u>
Total	\$	<u>1,227,314</u>	<u>725,714</u>	<u>501,600</u>
<u>December 31, 2013</u>				
Available-for-sale securities	\$	501,600	\$ -	\$ -
Trading securities		<u>785,843</u>	<u>785,843</u>	<u>-</u>
Total	\$	<u>1,287,443</u>	<u>785,843</u>	<u>501,600</u>

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NOTE 3 – INVESTMENTS (CONTINUED)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value for the investment in Fonkoze SA is determined by the current market price of shares recently sold to active investors.

NOTE 4 – UNINSURED CASH BALANCES

There is no deposit insurance for accounts held in Haitian banks. The Organization had a deposit account in a Haitian financial institution (Sèvis Finansye Fonkoze) with a balance of \$17,518 and \$11,169 at December 31, 2014 and 2013, respectively. The Organization had deposit accounts at City National Bank, Newark, New Jersey and EagleBank, Washington DC. At December 31, 2014 and 2013, the account balances at all U.S. banks were fully insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 – AFFILIATED ORGANIZATIONS

The Organization shares a common mission with Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze. Donations and loans acquired by the Organization are donated through grants and loans to Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze. For the years ended December 31, 2014 and 2013, grants in the amount of \$2,486,020 and \$1,550,271, respectively, were made to Fondasyon Kole Zepòl. At December 31, 2014 and 2013 the Organization made grants to Sèvis Finansye Fonkoze in the amount of \$648,812 and \$606,635, respectively. At December 31, 2014 and 2013, loans receivable from Fondasyon Kole Zepòl were \$578,624 and \$1,130,510, respectively. At December 31, 2014 and 2013, loans receivable from Sèvis Finansye Fonkoze were \$2,461,500 and \$1,873,500, respectively. Interest income from loans to Fondasyon Kole Zepòl was \$20,321 and \$26,876, respectively, for the years ended December 31, 2014 and 2013. Interest income from loans to Sèvis Finansye Fonkoze was \$47,037 and \$38,626, respectively, for the years ended December 31, 2014 and 2013. Interest receivable from Fondasyon Kole Zepòl at December 31, 2014 and 2013 was \$5,367 and \$8,732, respectively. Interest receivable from Sèvis Finansye Fonkoze at December 31, 2014 and 2013 was \$12,133 and \$24,636, respectively. The Organization owed Fondasyon Kole Zepòl \$14,480 and \$57,258 at December 31, 2014 and 2013, respectively for various expense reimbursements. The Organization owed Sèvis Finansye Fonkoze \$7,506 and \$10,000 at December 31, 2014 and 2013 for various loans and expense reimbursements. The Organization also had outstanding grants of \$395,000 and \$300,000 payable to Fondasyon Kole Zepòl at December 31, 2014 and 2013, respectively.

NOTE 6 – LEASE

The Organization occupies office space in Washington, DC. During July 2010, the Organization signed a 5 year lease and moved to a new office. Rent obligations under the lease are:

<u>Period</u>	<u>Annual Rent</u>
August 2010 – July 2012	\$ 62,500
August 2012 – July 2013	64,531
August 2013 – July 2013	66,629
August 2013 – July 2014	68,794
August 2014 – July 2015	<u>71,030</u>
Total	<u>\$ 333,484</u>

Rent expense under this lease for the years ended December 31, 2014 and 2013 was \$124,802 and \$67,696, respectively.

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NOTE 6 – LEASE (CONTINUED)

In December of 2014, the landlord made a claim for additional rentals declaring that the lease was a triple net lease and amounts for insurance, taxes, and management had not been paid since the inception of the lease. The landlord claimed that the deletion of the triple net lease from the rental agreement was not approved although management had clearly deleted them. With threatened litigation management decided to settle by paying \$62,320.36 of which \$55,050 is included in the rent expense for the year ended December 31, 2014. The remaining balance of \$7,270 was applicable to the rent expense for the year ending December 31, 2015.

NOTE 7 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$1,764,000 and \$1,559,886, current portion, and \$1,186,124 and \$1,344,124, long-term portion, as of December 31, 2014 and 2013, respectively, are comprised of payables to various investors who have made loans to Fonkoze USA, Inc. to support its programs and activities. The interest rates on these loans payable vary between zero and three percent, and the maturity dates vary up to December 2019. Interest expense on loans payable was \$32,423 and \$34,248 for the years ended December 31, 2014 and 2013, respectively.

Maturity on the loans was as follows at December 31:

	<u>2014</u>	<u>2013</u>
2014	\$ -	\$ 1,559,886
2015	1,764,000	890,116
2016	439,124	409,008
2017	300,000	10,000
2018	85,000	35,000
2019 (or later)	<u>362,000</u>	<u>-</u>
Total	2,950,124	2,904,010
Less: current portion	<u>1,764,000</u>	<u>1,559,886</u>
Loans Payable – Investors – Long-term	<u>\$ 1,186,124</u>	<u>\$ 1,344,124</u>

NOTE 8 - ENDOWMENT

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted assets the original value of gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by SPMIFA. The balance of the endowment fund consists of unrestricted contributions that have been designated by the Board of Directors as restricted. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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NOTE 8 – ENDOWMENT (CONTINUED)

The following represents the net asset classes of the Organization’s endowment funds as well as the changes in endowment funds for the years ended December 31, 2014 and 2013:

	Board			Total
	Designated Unrestricted	Temporarily Restricted	Permanently Restricted	
FMV Balance at December 31, 2012	\$ 569,776	\$ -	\$ 97,000	\$ 666,776
Investment Income	37,860	-	-	37,860
Contributions	50,000	-	5,000	55,000
Withdrawals	-	-	-	-
Net Appreciation (Depreciation)	26,566	-	-	26,566
FMV Balance at December 31, 2013	684,202	-	102,000	786,202
Investment Income	47,277	-	-	47,277
Contributions	4,715	-	-	4,715
Withdrawals	(104,013)	-	-	(104,013)
Net Appreciation (Depreciation)	(7,956)	-	-	(7,956)
FMV Balance at December 31, 2014	<u>\$ 624,225</u>	<u>\$ -</u>	<u>\$ 102,000</u>	<u>\$ 726,225</u>

The Organization’s investment policy states the following Endowment objectives:

- A. To protect the donated assets and preserve their purchasing power over time
- B. To provide a reasonable rate of return to support Fonkoze USA
- C. To achieve maximum prudent total return without regard to whether that return consists of interest and dividends or realized and unrealized capital gain
- D. The Investment Committee may honor requests from endowment donors to set aside the above objectives in order to invest their gift(s) directly in the work of Fonkoze Haiti

The policy further states that endowment income may be transferred annually to the operations account of Fonkoze USA, or retained in the endowment, at the discretion of the Fonkoze USA Board of Directors. When endowment income reaches \$10,000 or more a year, it may be transferred to the operations account quarterly. Endowment income includes actual income (interest and dividends) and attributed income (5% of the market value of investable assets in the endowment account on January 1 of each year).

The Organization balances investment risk by diversifying among bonds and stocks, large and small cap, domestic and foreign, with no-load mutual funds purchased through a mutual fund supermarket, Charles Schwab.

NOTE 9 – ALLOCATION OF JOINT COSTS

Joint costs for all activities have been allocated between the appropriate activities. These allocations may be found in the Statements of Functional Expenses found on pages 4 and 5 of this report.

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NOTE 10 – CONTRIBUTED GOODS AND SERVICES

The Organization received contributed goods and services consisting of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Educational events supplies	\$ -	\$ 590
Administrative expenses	-	913
Professional fees	<u>43,589</u>	<u>26,883</u>
Total	<u>\$ 43,589</u>	<u>\$ 28,386</u>

The amounts shown above were included in revenue and were expensed in the year received. Professional fees of \$43,589 consist of legal services during the year ended December 31, 2014 primarily related to the Organization's loan fund program, its dispute with the landlord as referenced in Note 6, and its application for a trademark covering the Organization's name and logo. Professional fees above include services of \$26,883 for various Program and Administrative legal work for the year ended December 31, 2013. As shown above, \$1,503 of contributed goods and services were used at various fundraising events for the year ended December 31, 2013.

NOTE 11 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through April 22, 2015, the date this report became available to be issued.