

FONKOZE USA, INC.  
WASHINGTON, DC

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AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014



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, 2015 and 2014 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, 2015 and 2014 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  
March 14, 2016



FONKOZE USA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 473,254	\$ 267,205
Interest receivable	21,494	17,500
Loans receivable - current portion	985,507	1,764,000
Prepaid expenses	13,073	14,449
Donations receivable	31,587	31,095
Pledges receivable	100,500	-
Grants receivable - current portion	75,075	559,453
Other receivables	6,161	5,719
<b>TOTAL CURRENT ASSETS</b>	<u>1,706,651</u>	<u>2,659,421</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	3,035	11,807
Computer equipment	4,671	3,386
Software	11,741	11,741
Website Upgrades	13,850	13,850
Less: Accumulated depreciation and amortization	<u>(22,559)</u>	<u>(26,411)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>10,738</u>	<u>14,373</u>
<b>INVESTMENTS</b>	<u>1,191,909</u>	<u>1,227,314</u>
<b>GRANTS RECEIVABLE - less current portion</b>	<u>-</u>	<u>-</u>
<b>LOANS RECEIVABLE - less current portion</b>	<u>1,847,000</u>	<u>1,276,124</u>
<b>OTHER ASSETS</b>	<u>6,296</u>	<u>10,417</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,762,594</u>	<u>\$ 5,187,649</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,314	\$ 80,570
Deferred revenue	-	1,750
Grants payable	468,000	395,000
Interest payable	13,748	9,973
Loans payable, current portion	<u>1,331,733</u>	<u>1,764,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,821,795</u>	<u>2,251,293</u>
<b>LOANS PAYABLE, less current portion</b>	<u>2,132,175</u>	<u>1,186,124</u>
<b>TOTAL LIABILITIES</b>	<u>3,953,970</u>	<u>3,437,417</u>
<b>NET ASSETS</b>		
Unrestricted	(317,684)	369,781
Unrestricted - Board designated	512,872	624,225
Temporarily restricted	433,799	654,226
Permanently restricted	<u>179,637</u>	<u>102,000</u>
<b>TOTAL NET ASSETS</b>	<u>808,624</u>	<u>1,750,232</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,762,594</u>	<u>\$ 5,187,649</u>

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

FONKOZE USA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>								
Contributions and grants	\$ 1,587,145	\$ 895,947	\$ 77,637	\$ 2,560,729	\$ 1,141,239	\$ 1,881,250	\$ -	\$ 3,022,489
Fundraising events	25,404	-	-	25,404	-	-	-	-
In-kind donations	68,523	-	-	68,523	43,589	-	-	43,589
Interest, dividend, and capital gain income	101,629	2,500	-	104,129	102,950	-	-	102,950
Delegation income	32,656	-	-	32,656	14,572	-	-	14,572
Realized gain (loss) on investments	7,344	-	-	7,344	13,464	-	-	13,464
Unrealized gain (loss) on investments	(50,497)	(4,169)	-	(54,666)	(7,965)	-	-	(7,965)
Exchange transaction gain (loss)	(1,010)	-	-	(1,010)	-	-	-	-
Other income	-	-	-	-	2	-	-	2
Net assets released from restrictions:								
Satisfaction of program restrictions	1,114,705	(1,114,705)	-	-	2,628,748	(2,628,748)	-	-
<b>TOTAL REVENUES</b>	<b>2,885,899</b>	<b>(220,427)</b>	<b>77,637</b>	<b>2,743,109</b>	<b>3,936,599</b>	<b>(747,498)</b>	<b>-</b>	<b>3,189,101</b>
<b>EXPENSES</b>								
<b>PROGRAM SERVICES</b>								
Grants to Fondasyon Kole Zepòl	2,438,899	-	-	2,438,899	2,486,020	-	-	2,486,020
Grants to Sèvis Finansye Fonkoze	107,408	-	-	107,408	648,812	-	-	648,812
Grants to development partners	144,883	-	-	144,883	176,282	-	-	176,282
Education	151,790	-	-	151,790	137,434	-	-	137,434
Other Program Expenses	304,859	-	-	304,859	257,213	-	-	257,213
<b>TOTAL PROGRAM SERVICES</b>	<b>3,147,839</b>	<b>-</b>	<b>-</b>	<b>3,147,839</b>	<b>3,705,761</b>	<b>-</b>	<b>-</b>	<b>3,705,761</b>
<b>SUPPORTING SERVICES</b>								
Fundraising	206,099	-	-	206,099	240,436	-	-	240,436
Administration	330,779	-	-	330,779	281,508	-	-	281,508
<b>TOTAL SUPPORTING SERVICES</b>	<b>536,878</b>	<b>-</b>	<b>-</b>	<b>536,878</b>	<b>521,944</b>	<b>-</b>	<b>-</b>	<b>521,944</b>
<b>TOTAL EXPENSES</b>	<b>3,684,717</b>	<b>-</b>	<b>-</b>	<b>3,684,717</b>	<b>4,227,705</b>	<b>-</b>	<b>-</b>	<b>4,227,705</b>
<b>CHANGE IN NET ASSETS</b>	<b>(798,818)</b>	<b>(220,427)</b>	<b>77,637</b>	<b>(941,608)</b>	<b>(291,106)</b>	<b>(747,498)</b>	<b>-</b>	<b>(1,038,604)</b>
<b>NET ASSETS AT BEGINNING 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>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 195,188</b>	<b>\$ 433,799</b>	<b>\$ 179,637</b>	<b>\$ 808,624</b>	<b>\$ 994,006</b>	<b>\$ 654,226</b>	<b>\$ 102,000</b>	<b>\$ 1,750,232</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, 2015

	Grants	Education	Other Program Expenses	Fundraising	Administration	Total
Amos family expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank charges	-	-	-	-	6,033	6,033
Board meetings	-	-	-	-	27,096	27,096
Contract services	-	3,894	9,433	11,453	1,729	26,509
Delegations to Haiti	-	43,654	-	-	-	43,654
Depreciation & Amortization	-	190	452	228	8,747	9,617
Diaspora work	-	-	19,176	-	-	19,176
Donor Acquisition	-	-	-	21,343	-	21,343
Dues and subscriptions	-	-	-	260	2,000	2,260
Education program support in Haiti	-	-	544	-	-	544
Fonkoze Family	-	-	9,078	-	4,305	13,383
FFCC Related Expenses	-	-	-	-	-	-
Fundraising events	-	-	-	2,374	-	2,374
Grants to Development Partners	144,883	-	-	-	-	144,883
Grants to Fondasyon Kole Zepbl	2,438,899	-	-	-	-	2,438,899
Grants to Sèvis Finansye Fonkoze	107,408	-	-	-	-	107,408
IDRF Expenses	-	-	-	-	-	-
Insurance	-	1,878	7,463	3,068	6,360	18,769
Interest expense	-	-	41,349	-	-	41,349
Licenses and permits	-	-	-	-	5,229	5,229
Miscellaneous	-	-	6,667	-	4,167	10,834
Moving expense	-	-	-	-	7,049	7,049
Office utilities & maintenance	-	502	1,185	624	1,390	3,701
Payroll taxes and fees	-	5,728	10,501	8,306	9,839	34,374
Postage and delivery	-	580	595	9,203	2,972	13,350
Printing	-	3,273	2,628	26,341	3,386	35,628
Professional services	-	-	9,783	-	69,016	78,799
Rent	-	9,077	21,528	11,485	26,424	68,514
Retirement plan	-	2,515	3,000	3,325	10,410	19,250
Salaries	-	70,563	122,043	96,972	110,157	399,735
Social media/communications	-	291	32,342	3,422	-	36,055
Supplies	-	509	484	782	2,348	4,123
Technology	-	468	1,547	681	13,628	16,324
Telephone	-	684	403	948	716	2,751
Training	-	-	-	-	2,830	2,830
Travel	-	7,984	4,658	5,284	4,948	22,874
<b>TOTAL</b>	<b>\$ 2,691,190</b>	<b>\$ 151,790</b>	<b>\$ 304,859</b>	<b>\$ 206,099</b>	<b>\$ 330,779</b>	<b>\$ 3,684,717</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
Education program support in Haiti	-	290	-	-	-	290
Fonkoze Family	-	-	-	-	-	-
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 Zepbl	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
Moving expense	-	-	-	-	-	-
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
<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.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (941,608)	\$ (1,038,604)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,617	9,822
Realized (gain) loss on investments	(7,344)	(13,464)
Unrealized (gain) loss on investments	54,666	7,965
Investments received as donations	(239,522)	(250,497)
(Increase) decrease in:		
Interest receivable	(3,994)	15,868
Prepaid expenses	1,376	(752)
Donations receivable	(492)	34,277
Pledges receivable	(100,500)	500
Grants receivable	484,378	743,475
Other receivables	(442)	53,986
Security deposits	4,121	1,430
Increase (decrease) in:		
Accounts payable	(72,256)	6,585
Deferred revenue	(1,750)	(250)
Grants payable	73,000	95,000
Interest payable	3,775	409
	<u>(736,975)</u>	<u>(334,250)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(5,982)	(2,832)
Loss on disposal of fixed assets	(3,023)	-
Purchase of investments	(110,332)	(34,277)
Proceeds from sales of investments	340,960	350,402
	<u>221,623</u>	<u>313,293</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) decrease in loans receivable	207,617	(36,114)
Increase (decrease) in loans payable	513,784	46,114
	<u>721,401</u>	<u>10,000</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
NET INCREASE (DECREASE) IN CASH	206,049	(10,957)
CASH AT BEGINNING OF YEAR	<u>267,205</u>	<u>278,162</u>
CASH AT END OF YEAR	<u>\$ 473,254</u>	<u>\$ 267,205</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	<u>\$ 37,574</u>	<u>\$ 32,014</u>

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



FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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, 2015, the Organization had \$433,799 of temporarily restricted net assets and \$179,637 of permanently restricted net assets. \$218,262 of the temporarily restricted net assets were restricted for Fondasyon Kole Zepòl; \$175,170 was restricted for Sèvis Finansye Fonkoze, \$42,036 was restricted for Development Partners, and the balance of (\$1,669) was the temporary restricted Endowment funds. All permanently restricted net assets were restricted for the Endowment Fund. 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.

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, 2015 AND 2014

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, 2015 and 2014 were \$316,007 and \$578,624, respectively. The loans receivable from Sèvis Finansye Fonkoze at December 31, 2015 and 2014 were \$2,516,500 and \$2,461,500, 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. Pledges receivable for the year ended December 31, 2015 were due from two donors. The entire amount receivable of \$100,500 is receivable within one year. There were no pledges receivable for the year ended December 31, 2014. 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, 2015 were \$75,075. Grants receivable at December 31, 2014 were \$559,453.

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 March 14, 2016. 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 2012 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

FONKOZE USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE 2 – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Postage	\$ 479	\$ 1,018
Insurance	2,758	4,341
Office security	-	200
Licenses and permits	66	66
Training	2,256	2,275
Travel	329	-
Computer technology	<u>7,185</u>	<u>6,549</u>
Total	<u>\$ 13,073</u>	<u>\$ 14,449</u>

NOTE 3 – INVESTMENTS

Investments held by the Organization consisted of the following as of December 31, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ -	\$ -	-
Mutual funds	503,857	484,251	(19,606)
Securities	216,152	206,058	(10,094)
Investment in Fonkoze SA	<u>501,600</u>	<u>501,600</u>	<u>-</u>
Balance, December 31, 2015	<u>\$ 1,221,609</u>	<u>\$ 1,191,909</u>	(29,700)
Balance, December 31, 2014	<u>\$ 1,202,348</u>	<u>\$ 1,227,314</u>	<u>24,966</u>
Unrealized gain (loss) on investments			<u>\$ (54,666)</u>

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>	<u>-</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>

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.

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NOTE 3 – INVESTMENTS (CONTINUED)

The investment in Fonkoze SA represents a 5.2% interest in that holding company. This includes a 5.5% 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, 2015 and 2014 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, 2015</u>				
Available-for-sale securities	\$	501,600	\$ -	\$ -
Trading securities		<u>690,309</u>	<u>690,309</u>	<u>-</u>
Total	\$	<u>1,191,909</u>	<u>\$ 690,309</u>	<u>\$ -</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>\$ -</u>

FONKOZE USA, INC.  
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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 \$17,023 and \$17,518 at December 31, 2015 and 2014, respectively. The Organization had deposit accounts at City National Bank, Newark, New Jersey and EagleBank, Washington DC. The Organization had deposits at EagleBank, Washington, D.C. whose balances exceeded the Federal Deposit Insurance Corporation (FDIC) limits by \$188,764 at December 31, 2015. The account balances at all U.S. banks were fully insured by the FDIC at December 31, 2014.

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, 2015 and 2014, grants in the amount of \$2,438,889 and \$2,486,020, respectively, were made to Fondasyon Kole Zepòl. At December 31, 2015 and 2014 the Organization made grants to Sèvis Finansye Fonkoze in the amount of \$107,408 and \$648,812, respectively. At December 31, 2015 and 2014, loans receivable from Fondasyon Kole Zepòl were \$316,007 and \$578,624, respectively. At December 31, 2015 and 2014, loans receivable from Sèvis Finansye Fonkoze were \$2,516,500 and \$2,461,500, respectively. Interest income from loans to Fondasyon Kole Zepòl was \$9,771 and \$20,321, respectively, for the years ended December 31, 2015 and 2014. Interest income from loans to Sèvis Finansye Fonkoze was \$58,811 and \$47,037, respectively, for the years ended December 31, 2015 and 2014. Interest receivable from Fondasyon Kole Zepòl at December 31, 2015 and 2014 was \$2,029 and \$5,367, respectively. Interest receivable from Sèvis Finansye Fonkoze at December 31, 2015 and 2014 was \$19,465 and \$12,133, respectively. The Organization owed Fondasyon Kole Zepòl in the amount of \$6,399 and \$14,480 at December 31, 2015 and 2014 for various expense reimbursements. The Organization owed Sèvis Finansye Fonkoze \$7,506 at December 31, 2014 for various loans and expense reimbursements. There were no payables to Sèvis Finansye Fonkoze at December 31, 2015. The Organization also had outstanding grants of \$465,000 and \$395,000 payable to Fondasyon Kole Zepòl at December 31, 2015 and 2014, respectively.

NOTE 6 – LEASE

The Organization occupies office space in Washington, DC. During April 2015, the Organization signed a five year and four-month lease and moved to a new office. Rent obligations under the lease are:

<u>Period</u>	<u>Annual Rent</u>
July 2015 – June 2016	\$ 37,566
July 2016 – June 2017	58,041
July 2017 – June 2018	59,782
July 2018 – June 2019	61,575
July 2019 – June 2020	63,422
July 2020 – October 2020	<u>21,776</u>
Total	<u>\$ 302,162</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$68,514 and \$124,802, respectively.

FONKOZE USA, INC.  
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DECEMBER 31, 2015 AND 2014

NOTE 6 – LEASE (CONTINUED)

In December of 2014, the landlord of the prior lease agreement 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 is applicable to the rent expense for the year ending December 31, 2015.

NOTE 7 – LOANS PAYABLE

The loans payable balances of \$1,331,733 and \$1,764,000, current portion, and \$2,132,175 and \$1,186,124, long-term portion, as of December 31, 2015 and 2014, respectively, are comprised of (a) payables to various investors who have made loans to Fonkoze USA, Inc. to support its programs and activities, and (b) the Fonkoze Family Debt Facility Agreement which is discussed in more detail in the following paragraph. The interest rates on the investor loans payable vary between zero and three percent, and the maturity dates vary up to January 2020. Interest expense on loans payable was \$41,349 and \$32,423 for the years ended December 31, 2015 and 2014, respectively.

On December 30, 2015 the Organization signed a debt agreement whereby \$674,900 of debt owed to Sèvis Finansye Fonkoze by Fondasyon Kole Zepòl was transferred to the Organization. The transfer was treated as a grant to Fondasyon Kole Zepòl and is now an interest free debt payable to Sèvis Finansye Fonkoze. The agreement expires on December 31, 2020 and the debt is payable over five years at \$100,000 per year. In 2016, an additional \$174,900 is due which will be offset by a donation of the same amount. This donation was received in December 2015 and booked as restricted.

Maturity on the loans was as follows at December 31:

	<u>2015</u>	<u>2014</u>
2015	\$ -	\$ 1,764,000
2016	1,331,733	439,124
2017	580,320	300,000
2018	541,237	85,000
2019	769,181	362,000
2020	<u>240,437</u>	<u>-</u>
Total	3,463,908	2,950,124
Less: current portion	<u>1,331,733</u>	<u>1,764,000</u>
Loans Payable– Long-term	<u>\$ 2,132,175</u>	<u>\$ 1,186,124</u>

FONKOZE USA, INC.  
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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 permanent endowment fund currently consists of a general endowment fund and an education endowment fund. The donor of the general portion of the permanent endowment fund did not specify how the earnings on those assets are to be used. Therefore, such earnings (or losses) are recorded as part of the Board Designated Unrestricted Endowment fund. The donor of the education portion of the permanent endowment fund wanted the earnings on those funds to support education programming. Therefore, such earnings (or losses) are recorded as part of the Temporarily Restricted Endowment fund. The balance of the endowment fund consists of unrestricted contributions that have been designated by the Board of Directors to be included in the endowment. 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

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, 2015 and 2014:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	624,225	-	102,000	726,225
Investment Income	39,846	2,500	-	42,346
Contributions	-	-	77,637	77,637
Withdrawals	(100,702)	-	-	(100,702)
Net Appreciation (Depreciation)	(50,497)	(4,169)	-	(54,666)
FMV Balance at December 31, 2015	<u>\$ 512,872</u>	<u>\$ (1,669)</u>	<u>\$ 179,637</u>	<u>\$ 690,840</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

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NOTE 8 – ENDOWMENT (CONTINUED)

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.

NOTE 10 – CONTRIBUTED GOODS AND SERVICES

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

	<u>2015</u>	<u>2014</u>
Fundraising event expenses	\$ 6,245	\$ -
Administrative expenses	1,079	-
Professional fees	<u>61,199</u>	<u>43,589</u>
Total	<u>\$ 68,523</u>	<u>\$ 43,589</u>

The amounts shown above were included in revenue and were expensed in the year received. Professional fees of \$61,199 and \$43,589 consist of legal services during the year ended December 31, 2015 and 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. As shown above, \$6,245 of contributed goods and services were used at various fundraising events for the year ended December 31, 2015.

NOTE 11 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through March 14, 2016, the date this report became available to be issued.