

FONKOZE USA, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended December 31, 2023 and 2022

FONKOZE USA, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

DECEMBER 31, 2023 AND 2022

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Directors of
Fonkoze USA, Inc.

Opinion

We have audited the statements of financial position of Fonkoze USA, Inc. (the Organization), as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Organization's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern one year after the issuance date or the date the financial statements are available for issuance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Washington, D.C.
July 11, 2024

*SB * Company, LLC*

FONKOZE USA, INC.**Statements of Financial Position
As of December 31, 2023 and 2022**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 950,696	\$ 581,698
Investments	969,104	894,859
Contributions and grants receivable, net	894,157	759,459
Loans receivable, related party	2,615,510	3,050,615
Prepaid expenses and other assets	13,165	9,256
Investment in Fonkoze S.A.	856,541	856,541
Right-of-use asset - operating	116,162	166,373
Total Assets	\$ 6,415,335	\$ 6,318,801
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 54,680	\$ 57,012
Grants payable, related party	549,000	549,000
Promissory notes	100,000	106,000
Loans payable, investors	2,602,420	3,037,524
Lease liability - operating	113,048	162,158
Total Liabilities	3,419,148	3,911,694
Net Assets		
Without donor restrictions	1,782,627	1,344,259
With donor restrictions		
Purpose/time restricted	1,012,323	861,611
Held to perpetuity	201,237	201,237
Total with donor restrictions	1,213,560	1,062,848
Total Net Assets	2,996,187	2,407,107
Total Liabilities and Net Assets	\$ 6,415,335	\$ 6,318,801

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

FONKOZE USA, INC.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2023, with Comparative 2022 Totals

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Totals
Revenue and Other Support				
Contributions and grants	\$ 2,185,677	\$ 435,635	\$ 2,621,312	\$ 2,880,566
Contracts and other income	116,557	-	116,557	106,034
Investment income (loss)	99,264	26,177	125,441	(181,059)
Interest on loan receivable	98,404	-	98,404	102,560
Total Revenue	2,499,902	461,812	2,961,714	2,908,101
Net assets released from restrictions	311,100	(311,100)	-	-
Total Revenue and Other Support	2,811,002	150,712	2,961,714	2,908,101
Expenses				
Program services:				
Grantmaking	1,170,055	-	1,170,055	1,050,748
Education	303,946	-	303,946	390,610
Technical assistance	479,480	-	479,480	532,688
Total program services	1,953,481	-	1,953,481	1,974,046
Supporting services:				
Management and general	229,721	-	229,721	322,795
Fundraising	189,432	-	189,432	280,587
Total supporting services	419,153	-	419,153	603,382
Total Expenses	2,372,634	-	2,372,634	2,577,428
Changes in total net assets	438,368	150,712	589,080	330,673
Net assets, beginning of year	1,344,259	1,062,848	2,407,107	2,076,434
Net Assets, End of Year	\$ 1,782,627	\$ 1,213,560	\$ 2,996,187	\$ 2,407,107

The accompanying notes are an integral part of this financial statement.

FONKOZE USA, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions and grants	\$ 2,100,673	\$ 779,893	\$ 2,880,566
Contracts and other income	106,034	-	106,034
Investment loss	(141,023)	(40,036)	(181,059)
Interest on loan receivable	102,560	-	102,560
Total Revenue	2,168,244	739,857	2,908,101
Net assets released from restrictions	131,729	(131,729)	-
Total Revenue and Other Support	2,299,973	608,128	2,908,101
Expenses			
Program services:			
Grantmaking	1,050,748	-	1,050,748
Education	390,610	-	390,610
Technical assistance	532,688	-	532,688
Total program services	1,974,046	-	1,974,046
Supporting services:			
Management and general	322,795	-	322,795
Fundraising	280,587	-	280,587
Total supporting services	603,382	-	603,382
Total Expenses	2,577,428	-	2,577,428
Changes in total net assets	(277,455)	608,128	330,673
Net assets, beginning of year	1,621,714	454,720	2,076,434
Net Assets, End of Year	\$ 1,344,259	\$ 1,062,848	\$ 2,407,107

The accompanying notes are an integral part of this financial statement.

FONKOZE USA, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2023, with Comparative 2022 Totals**

	2023							
	Program Services				Management & General	Fundraising	Total	2022 Totals
	Grantmaking	Education	Technical Assistance	Total Program Services				
Salaries and related benefits	\$ -	\$ 239,620	\$ 310,161	\$ 549,781	\$ 149,288	\$ 126,124	\$ 825,193	\$ 910,829
Grants	1,170,055	-	5,872	1,175,927	-	-	1,175,927	1,081,132
Professional services	-	10,558	38,420	48,978	6,185	9,458	64,621	28,335
Interest	-	-	62,944	62,944	-	-	62,944	62,558
Printing	-	19,138	2,759	21,897	11,027	10,672	43,596	76,991
Rent	-	3,796	16,702	20,498	13,664	3,796	37,958	51,153
Technology	-	4,433	9,195	13,628	13,228	9,916	36,772	38,312
Contract services	-	2,080	9,141	11,221	12,613	13,677	37,511	85,828
Dues and subscriptions	-	2,374	10,409	12,783	1,187	4,512	18,482	26,924
Travel	-	9,599	1,490	11,089	1,160	1,099	13,348	57,583
Postage and delivery	-	4,714	681	5,395	1,715	2,522	9,632	32,428
Board meetings	-	2,259	2,259	4,518	2,259	2,259	9,036	585
Insurance	-	1,212	2,782	3,994	3,809	1,122	8,925	7,437
Training	-	1,075	2,273	3,348	1,997	2,130	7,475	7,861
Bank charges	-	-	-	-	6,818	-	6,818	9,558
Promotion and media	-	2,987	1,763	4,750	69	1,038	5,857	7,777
Telephone	-	9	13	22	3,545	9	3,576	4,947
Miscellaneous	-	-	1,181	1,181	815	795	2,791	9,571
Education program support in Haiti	-	-	1,349	1,349	-	-	1,349	958
Supplies	-	92	86	178	342	303	823	2,962
Bad debt	-	-	-	-	-	-	-	73,699
Total Expenses	\$ 1,170,055	\$ 303,946	\$ 479,480	\$ 1,953,481	\$ 229,721	\$ 189,432	\$ 2,372,634	\$ 2,577,428

The accompanying notes are an integral part of this financial statement.

FONKOZE USA, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2022**

	Program Services				Management & General	Fundraising	Total
	Grantmaking	Education	Technical Assistance	Total Program Services			
Salaries and related benefits	\$ -	\$ 255,502	\$ 336,936	\$ 592,438	\$ 145,625	\$ 172,766	\$ 910,829
Grants	1,050,748	-	30,384	1,081,132	-	-	1,081,132
Professional services	-	2,903	12,380	15,283	10,151	2,901	28,335
Interest	-	-	62,558	62,558	-	-	62,558
Printing	-	42,469	4,044	46,513	964	29,514	76,991
Rent	-	8,780	22,045	30,825	12,474	7,854	51,153
Technology	-	4,465	9,369	13,834	16,097	8,381	38,312
Contract services	-	10,862	19,351	30,213	19,976	35,639	85,828
Dues and subscriptions	-	4,095	14,662	18,757	2,325	5,842	26,924
Travel	-	42,636	6,304	48,940	4,067	4,576	57,583
Postage and delivery	-	12,379	5,909	18,288	6,663	7,477	32,428
Board meetings	-	-	-	-	585	-	585
Insurance	-	1,058	2,428	3,486	2,972	979	7,437
Training	-	925	2,312	3,237	2,312	2,312	7,861
Bank charges	-	-	5	5	9,553	-	9,558
Promotion and media	-	3,955	2,333	6,288	7	1,482	7,777
Telephone	-	312	391	703	3,942	302	4,947
Miscellaneous	-	-	-	-	9,571	-	9,571
Education program support in Haiti	-	-	958	958	-	-	958
Supplies	-	269	319	588	1,812	562	2,962
Bad debt	-	-	-	-	73,699	-	73,699
Total Expenses	\$ 1,050,748	\$ 390,610	\$ 532,688	\$ 1,974,046	\$ 322,795	\$ 280,587	\$ 2,577,428

The accompanying notes are an integral part of this financial statement.

FONKOZE USA, INC.

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 589,080	\$ 330,673
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Unrealized/realized (gain)/loss on investments	(83,881)	218,713
Reinvested earnings	(35,106)	(36,869)
Change in the measurement of leases	1,101	(4,215)
Forgiveness on promissory notes	(6,000)	-
Effect of changes in non-cash operating assets and liabilities		
Contributions and grants receivable, net	(134,698)	(534,391)
Prepaid expenses and other assets	(3,909)	(237)
Accounts payable and accrued expenses	(2,332)	25,947
Net Cash Flow from Operating Activities	<u>324,255</u>	<u>(379)</u>
Cash Flow from Investing Activities		
Proceeds from payments on loans receivable, related party	445,105	13,552
Payments on new loans receivable, related party	(10,000)	(152,000)
Proceeds from sales of investments	44,742	56,140
Net Cash Flow from Investing Activities	<u>479,847</u>	<u>(82,308)</u>
Cash Flow from Financing Activities		
Proceeds from loans payable, investors	10,000	152,000
Payments on loans payable, investors	(445,104)	(26,643)
Net Cash Flow from Financing Activities	<u>(435,104)</u>	<u>125,357</u>
Net change in cash and cash equivalents	368,998	42,670
Cash and cash equivalents, beginning of year	581,698	539,028
Cash and Cash Equivalents, End of Year	<u>\$ 950,696</u>	<u>\$ 581,698</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	<u>\$ 62,944</u>	<u>\$ 62,558</u>

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

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

1. DESCRIPTION OF THE ORGANIZATION

Fonkoze USA, Inc. (the Organization) is an American 501(c)(3) nonprofit organization that operates exclusively for charitable and educational purposes, including, but not limited to, raising, donating, and lending charitable funds and facilitating technical assistance to its Fonkoze partners (Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze) and other organizations empowering the poor across Haiti, and increasing public awareness about Haiti and the services and programs provided by Fonkoze and the development organizations that the Organization supports.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Federal Deposit Insurance Corporation (FDIC) guarantee accounts up to \$250,000 per depositor per institution. As of December 31, 2023 and 2022, the Organization had \$680,570 and \$331,698, respectively, in excess of FDIC insured limits. The Organization has not experienced any losses in their bank deposit accounts.

Cash and cash equivalents consist of cash and short-term investments, which have original maturities of 90 days or less. As of December 31, 2023 and 2022, cash equivalents consisted of money market funds.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles (GAAP) are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consist of cash and cash equivalents, investments, receivables, and payables. The carrying value of the Organization's financial instruments in the accompanying statements of financial position approximates their respective estimated fair values as of December 31, 2023 and 2022. Fair values are estimated based on current market rates, prices, or liquidation value.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Grants Receivable, Net

Contributions receivable represent unconditional promises to give from various individuals and foundations. Grants receivable represent unconditional commitments from grantors. These receivables represent revenue earned, but not collected, as of the end of the year.

Contributions and grants receivable are recorded at the donated amount less a discount for those donations expected to be collected over a period greater than one year. The unamortized discount is accreted into contribution revenue in the future. For the years ended December 31, 2023 and 2022, the discount rate was 4.73% each year.

The Organization records an allowance for doubtful accounts, if needed, equal to the estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience. The Organization records all contributions and grants receivable at their net realizable value. As of December 31, 2023 and 2022, the allowance for doubtful accounts was \$73,822 and \$73,699, respectively.

Loans Receivable, Related Party

Loans receivable are loans issued to Sèvis Finansye Fonkoze (SFF), a related party, who loans them to various entities in Haiti. Loans that management has the intent and ability to hold until maturity are reported at the principal amount outstanding. The funds loaned to SFF are based on funds received from investors noted as Loans Payable in the accompanying statements of financial position.

The loans receivable maturity dates coincide with the maturity dates of the loans payable to investors. The Organization charges SFF an interest rate for each loan that is the same as the rate charged to the Organization by the external lending party. Those interest rates range from 0% to 3%. The Organization also charges SFF an annual administration fee of 1% of the outstanding balance of each loan. Interest and administration fee payments received from SFF are recognized as interest on loan receivable, related party by the Organization.

The Organization has reviewed the financial statements and cash reserves of SFF and has determined that these outstanding loans are collectible. An allowance for doubtful accounts, if needed, is also based on specific identification of uncollectible accounts and the Organization's historical collection experience. No allowance for doubtful accounts was recorded as of December 31, 2023 and 2022.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-Use Asset

The Organization records a right-of-use asset related to the office facilities where the Organization conducts its operations. The Organization's 40-month lease was recorded at \$174,549, which represented its present value of the total remaining lease payments on November 1, 2022, at adoption. The right-of-use asset is being amortized over the term of the lease. During the year ended December 31, 2023 and 2022, the amortization expense related to the right-of-use asset was \$58,387 and \$8,176, respectively.

Grants Payable, Related Party

Grants payable represent unpaid grant funds committed to be paid to Fondasyon Kole Zepòl (the Foundation) to support the Foundation's programs.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions, other than those to be held in perpetuity, are those whose use by the Organization has been limited by donors, primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Revenue and Support

The Organization recognizes grants and contributions when an unconditional promise to give is received. Conditional promises to give, with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

Grants and contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support (continued)

Amounts received under contracts are recognized as revenue when the performance criteria established has been met.

Unrealized and realized gains and losses, dividends, and interest from investing activities in income producing assets are included in the applicable net asset classification depending on donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program, management and general, and fundraising services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but to provide for the overall support and direction of the Organization. Fundraising costs are those which are specific to the related activity.

The Organization allocates all expenses into one of five classes: Grantmaking; Education; Technical Assistance; Management and General; and Fundraising. Grantmaking, Education, and Technical Assistance programs relate to the direct delivery of services and programs and thus are disclosed as Program Services. Management and General and Fundraising are overhead classes. For general allocation purposes, each employee's hours are allocated based on the time that the employee normally dedicates to that activity category. The time allocation for all employees is consolidated to arrive at a company-wide cost allocation.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal income taxes, other than net unrelated business income taxes, under the provisions of Section 501(c)(3) of the United States Internal Revenue Code (IRC) and is recognized as such by the Internal Revenue Service.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions as of December 31, 2023 and 2022, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status.

As of December 31, 2023, the statute of limitations for calendar years 2020 through 2023 remains open with the U.S. Federal jurisdiction or the various state and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense in the statements of activities and changes in net assets.

Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by the amounts not available for general use within one year because of donor-imposed restrictions.

	2023	2022
Cash and cash equivalents	\$ 950,696	\$ 581,698
Investments	969,104	894,859
Contributions and grants receivable, net	894,157	759,459
Financial assets, at year-end	<u>2,813,957</u>	<u>2,236,016</u>
Less those unavailable for general expenditures within one year, due to:		
Donor restrictions - time	334,193	468,793
Donor restrictions - purpose	107,895	81,718
Donor restrictions - held to perpetuity	<u>201,237</u>	<u>201,237</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,170,632</u></u>	<u><u>\$ 1,484,268</u></u>

The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining access to adequate liquid assets to fund near-term operating needs.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

Because a donor's restriction requires resources to be used in a particular manner or future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. The Organization's endowment fund consists of net assets with donor restrictions to be held to perpetuity. Income from the endowment is restricted for specific purposes and, therefore, is not available for general expenditure.

Implemented Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses*. The objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. This standard was adopted during the year ended December 31, 2023 and did not have a material effect on the accompanying financial statements.

Subsequent Events

The Organization's management has evaluated the accompanying financial statements for subsequent events and transactions through July 11, 2024, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2023 and 2022.

Equities and Fixed Income: Valued at the closing price reported on the active market on which the individual securities are traded.

Investment in Fonkoze, S.A.: Valued at fair market discounted for the limited distribution available for the investment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

3. INVESTMENTS (continued)

The following table sets forth, by level, the fair value hierarchy of the Organization's investments at fair value as of December 31, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Fund - Equities	\$ 618,654	\$ -	\$ -	\$ 618,654
Fixed Income	350,450	-	-	350,450
Investment in Fonkoze S.A.	-	-	856,541	856,541
	<u>\$ 969,104</u>	<u>\$ -</u>	<u>\$ 856,541</u>	<u>\$ 1,825,645</u>

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Fund - Equities	\$ 539,485	\$ -	\$ -	\$ 539,485
Fixed Income	355,374	-	-	355,374
Investment in Fonkoze S.A.	-	-	856,541	856,541
	<u>\$ 894,859</u>	<u>\$ -</u>	<u>\$ 856,541</u>	<u>\$ 1,751,400</u>

Level 3 Investments

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investment in Fonkoze, S.A., which management has used at least one significant unobservable input in the valuation model.

Changes in Fair Value of Level 3 Assets

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

The significance of transfers between level is evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

There were no changes in fair value of the Organization's level 3 assets for the years ended December 31, 2023 and 2022.

Transfers between Levels

For the year ended December 31, 2023 and 2022, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

3. INVESTMENTS (continued)

The Organization's Level 3 investments have been valued using a discounted cash flow model. Unobservable inputs used in the valuation are equity risk premiums and discounts for lack of marketability.

Investment income for the years ended December 31, 2023 and 2022, consisted of the following:

	2023	2022
Interest and dividends, net	\$ 41,560	\$ 37,654
Realized and unrealized gains/(loss), net	83,881	(218,713)
Investment Income/(Loss), Net	\$ 125,441	\$ (181,059)

4. CONTRIBUTIONS AND GRANTS RECEIVABLES, NET

As of December 31, 2023 and 2022, contributions, grants, and other receivables included the following unconditional promises to give:

	2023	2022
Contributions, grants, and other due in:		
Less than one year	\$ 633,786	\$ 364,365
One to five years	350,000	500,000
	983,786	864,365
Less: allowance for doubtful accounts	73,822	73,699
Less: PV discount at 4.73%, respectively	15,807	31,207
Total	\$ 894,157	\$ 759,459

5. RELATED-PARTY TRANSACTIONS

The Organization shares a common mission with Fondasyon Kole Zepòl (the Foundation) and) Sèvis Finansye Fonkoze (SFF), a wholly owned subsidiary of Fonkoze S.A. The Foundation has representation on the Board of Directors of the Organization and the Organization has representation on the Board of the Foundation. Further, two Board members and the Executive Director of each of the three entities participate in periodic Fonkoze Family Council meetings to coordinate entity activities.

Donations and loans acquired by the Organization are donated through grants and loans to both the Foundation and SFF. Also, one board member is a member of both the Fonkoze USA and SFF Board of Directors.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

5. RELATED-PARTY TRANSACTIONS (continued)

Fondasyon Kole Zepòl (the Foundation)

The Organization owed the Foundation \$549,000 in outstanding grants as of December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, the Organization made grants to the Foundation totaling \$1,168,396 and \$1,056,269, respectively.

The Organization has a contract with the Foundation wherein the Organization contracts to provide the services of two Organization employees, in Haiti full time to the Foundation and the Organization is reimbursed for the cost of those employees. During the years ended December 31, 2023 and 2022, the amount reimbursed to the Organization by the Foundation was \$116,557 and \$104,468, respectively.

Sèvis Finansye Fonkoze (SFF)

As of December 31, 2023 and 2022, loans receivable from SFF was \$2,615,510 and \$3,050,615, respectively. The loans receivable, related party are associated with the loans payable from investors to provide for the advancement of loans to SFF. The amounts received from investors are recorded as loans payable, investors in the statements of financial position. As these loans become due from the lenders, the funds are immediately demanded from SFF. The Organization did not make any grants to SFF for the years ended December 31, 2023 and 2022.

Future minimum payments on the loans receivable, related party were as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 321,075
2025	836,345
2026	1,225,000
2027	210,000
2028	10,000
Thereafter	13,090
Total	<u>\$ 2,615,510</u>

Fonkoze S.A. did not pay any dividends on its outstanding shares for the years ended December 31, 2023 and 2022.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

6. LOANS PAYABLE

Promissory Notes

Promissory notes as of December 31, 2023 and 2022, were comprised of one and two individual loans in the total amounts of \$100,000 and \$106,000, respectively. These notes are not collateralized, have an interest rate of 3%, and mature in 2024.

Investors

Loans payable are made up of multiple loans from various investors who have made loans to the Organization to support its programs and activities. The interest rates on the investor loans vary between 0% and 3% with maturity dates varying up to February 2028. As of December 31, 2023 and 2022, the outstanding balance was \$2,602,420 and \$3,037,524, respectively.

Interest expense was \$62,944 and \$62,558, for the years ended December 31, 2023 and 2022, respectively.

Future minimum payments of the investor's loans payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 321,075
2025	836,345
2026	1,225,000
2027	210,000
2028	10,000
Total	<u>\$ 2,602,420</u>

7. LEASE LIABILITY

On May 9, 2022, the Organization entered into a lease agreement for office space in Washington D.C. The lease commenced on November 1, 2022 and is set to expire on February 28, 2026. Under this lease agreement, the Organization received 4 months of rent abatement. The lease calls for monthly payments of \$4,518 in the first year, with annual increases thereafter equal to 2.75 percent of the previous year's payment for the remainder of the lease. The Organization is also required to pay its pro rata share of the increases in real estate taxes and operating expenses. As of December 31, 2023 and 2022, the lease payable was \$113,048 and \$162,158, respectively. For the years ended December 31, 2023 and 2022, amortization expense was \$37,958 and \$51,153, respectively, and is presented as rent expense in the accompanying statements of functional expenses.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

7. LEASE LIABILITY (continued)

As of December 31, 2023, the future minimum payments under the lease liability are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 56,084
2025	57,626
2026	4,558
Total	118,268
Less: Present Value Discount	5,220
	<u>\$ 113,048</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023 and 2022, net assets with donor restrictions were available for the following purposes, excluding net assets held to perpetuity:

	<u>2023</u>	<u>2022</u>
General operating - time	\$ 300,000	\$ -
Self reliance and social inclusion - CLM	382,228	368,793
Health-Boutik Sante	222,200	211,100
Endowment	107,895	81,718
Adult literacy and education	-	200,000
Total	<u>\$ 1,012,323</u>	<u>\$ 861,611</u>

9. 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 net assets to be held in perpetuity the original value of gifts to the perpetual endowment. The perpetual endowment fund currently consists of a general endowment fund.

The donor of the general endowment did not specify how earnings should be used. The donor of the education portion of the perpetual endowment fund specified that the earnings on those funds support education programming.

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

9. ENDOWMENT (continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Return Objectives and Risk Parameters

The Organization's investment policy (the policy) states the following endowment objectives:

- To protect the donated assets and preserve their purchasing power over time.
- To provide a reasonable rate of return to support the Organization.
- To achieve maximum prudent total return without regard to whether that return consists of interest and dividends or realized and unrealized capital gain.
- 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 Organization balances investment risk by diversifying among bonds, stocks, large and small cap, and domestic and foreign, with no-load mutual funds purchased through a mutual fund.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The policy further states that endowment income may be transferred annually to the operations account of the Organization, or retained in the endowment, at the discretion of the Organization's 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).

FONKOZE USA, INC.

Notes to the Financial Statements December 31, 2023 and 2022

9. ENDOWMENT (continued)

As of December 31, 2023 and 2022, the composition of the endowment was as follows:

	2023	2022
Without donor restrictions - Board-designated	\$ 659,972	\$ 611,904
With donor restrictions for appropriation	107,895	81,718
With donor restrictions held to perpetuity	201,237	201,237
	\$ 969,104	\$ 894,859

For the years ended December 31, 2023 and 2022, the changes in the endowment net assets were as follows:

	2023			
	Net Assets Without Donor Restrictions - Board Designated	Net Assets With Donor Restrictions -For Appropriation	Net Assets With Donor Restrictions - Held to Perpetuity	Total
Balance as of January 1, 2023	\$ 611,904	\$ 81,718	\$ 201,237	\$ 894,859
Interest and dividends	27,383	7,723	-	35,106
Net appreciation	65,427	18,454	-	83,881
Withdrawal	(44,742)	-	-	(44,742)
Balance as of December 31, 2023	\$ 659,972	\$ 107,895	\$ 201,237	\$ 969,104

	2022			
	Net Assets Without Donor Restrictions - Board Designated	Net Assets With Donor Restrictions -For Appropriation	Net Assets With Donor Restrictions - Held to Perpetuity	Total
Balance as of January 1, 2022	\$ 809,852	\$ 121,754	\$ 201,237	\$ 1,132,843
Interest and dividends	28,758	8,111	-	36,869
Net depreciation	(170,596)	(48,117)	-	(218,713)
Withdrawal	(56,110)	(30)	-	(56,140)
Balance as of December 31, 2022	\$ 611,904	\$ 81,718	\$ 201,237	\$ 894,859

10. DEFINED CONTRIBUTION PLAN

The Organization provided benefits to all eligible employees under a 403(b) defined contribution plan. The Organization matches 50% of the employee contribution up to \$6,000 per year. The Organization's contribution for the years ended December 31, 2023 and 2022, was \$6,950 and \$11,350, respectively.